

***COURT OF APPEAL FOR ONTARIO***

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

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

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**MOTION RECORD OF THE UNDERWRITERS**  
(responding to the motion for leave to appeal  
from the Sanction Order)

VOLUME I OF IV

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(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 A PLAN OF COMPROMISE OR ARRANGEMENT  
OF SINO-FOREST CORPORATION**

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# INDEX

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR  
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#### **Other CCAA Orders**

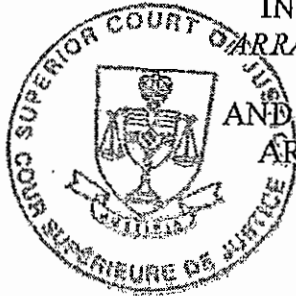
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IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF SINO-FOREST CORPORATION

**PLAN SANCTION ORDER**

**THIS MOTION**, made by Sino-Forest Corporation ("**SFC**"), for an order (i) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), sanctioning the plan of compromise and reorganization dated December 3, 2012 (including all schedules thereto), which Plan is attached as Schedule "A" hereto, as supplemented by the plan supplement dated November 21, 2012 previously filed with the Court, as the Plan may be further amended, varied or supplemented from time to time in accordance with the terms thereof (the "**Plan**"), and (ii) pursuant to the section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), approving the Plan and amending the articles of SFC and giving effect to the changes and transactions arising therefrom, was heard on December 7, 2012 at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the Affidavit of W. Judson Martin sworn November 29, 2012 (the "**Martin Affidavit**"), the Thirteenth Report of FTI Consulting Canada Inc. in its capacity as monitor of SFC (the "**Monitor**") dated November 22, 2012 (the "**Monitor's Thirteenth Report**"), the supplemental report to the Monitor's Thirteenth Report (the "**Supplemental Report**"), and the second supplemental report to the Monitor's Thirteenth Report (the "**Second Supplemental Report**") and on hearing the submissions of counsel for

SFC, the Monitor, the *ad hoc* committee of Noteholders (the "**Ad Hoc Noteholders**"), and such other counsel as were present, no one else appearing for any other party, although duly served with the Motion Record as appears from the Affidavit of Service, filed.

### **DEFINED TERMS**

1. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Plan Sanction Order shall have the meanings ascribed to such terms in the Plan and/or the Plan Filing and Meeting Order granted by the Court on August 31, 2012 (the "**Plan Filing and Meeting Order**"), as the case may be.

### **SERVICE, NOTICE AND MEETING**

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record in support of this motion, the Monitor's Thirteenth Report, the Supplemental Report and the Second Supplemental Report be and are hereby abridged and validated so that the motion is properly returnable today and service upon any interested party other than those parties served is hereby dispensed with.

3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service and delivery of the Plan Filing and Meeting Order and the Meeting Materials (including, without limitation, the Plan) to all Persons upon which notice, service and delivery was required.

4. **THIS COURT ORDERS AND DECLARES** that the Meeting was duly convened and held, all in conformity with the CCAA and the Orders of this Court made in the CCAA Proceeding, including, without limitation, the Plan Filing and Meeting Order.

5. **THIS COURT ORDERS AND DECLARES** that: (i) the hearing of the Plan Sanction Order was open to all of the Affected Creditors and all other Persons with an interest in SFC and that such Affected Creditors and other Persons were permitted to be heard at the hearing in respect of the Plan Sanction Order; and (ii) prior to the hearing, all of the Affected Creditors and all other Persons on the Service List in respect of the CCAA Proceeding were given adequate notice thereof.

### **SANCTION OF THE PLAN**

6. **THIS COURT ORDERS** that the relevant class of Affected Creditors of SFC for the purposes of voting to approve the Plan is the Affected Creditors Class.

7. **THIS COURT ORDERS AND DECLARES** that the Plan, and all the terms and conditions thereof, and matters and transactions contemplated thereby, are fair and reasonable.

8. **THIS COURT ORDERS** that the Plan is hereby sanctioned and approved pursuant to section 6 of the CCAA.

### **PLAN IMPLEMENTATION**

9. **THIS COURT ORDERS AND DECLARES** that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved and shall be deemed to be implemented, binding and effective in accordance with the provisions of the Plan as of the Plan Implementation Date at the Effective Time, or at such other time, times or manner as may be set forth in the Plan, and shall enure to the benefit of and be binding upon SFC, the other Released Parties, the Affected Creditors and all other Persons and parties named or referred to in, affected by, or subject to the Plan, including, without limitation, their respective heirs, administrators, executors, legal representatives, successors, and assigns.

10. **THIS COURT ORDERS** that each of SFC and the Monitor are authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to implement the Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations, instruments and agreements contemplated pursuant to the Plan, and such steps and actions are hereby authorized, ratified and approved. Furthermore, neither SFC nor the Monitor shall incur any liability as a result of acting in accordance with terms of the Plan and the Plan Sanction Order.

11. **THIS COURT ORDERS** that SFC, the Monitor, Newco, the Litigation Trustee, the Trustees, DTC, the Unresolved Claims Escrow Agent, all Transfer Agents and any other Person required to make any distributions, deliveries or allocations or take any steps or actions related

thereto pursuant to the Plan are hereby directed to complete such distributions, deliveries or allocations and to take any such related steps and/or actions in accordance with the terms of the Plan, and such distributions, deliveries and allocations, and steps and actions related thereto, are hereby approved.

12. **THIS COURT ORDERS** that upon the satisfaction or waiver, as applicable, of the conditions precedent set out in section 9.1 of the Plan in accordance with the terms of the Plan, as confirmed by SFC and Goodmans LLP to the Monitor in writing, the Monitor is authorized and directed to deliver to SFC and Goodmans LLP a certificate substantially in the form attached hereto as Schedule "B" (the "**Monitor's Certificate**") signed by the Monitor, certifying that the Plan Implementation Date has occurred and that the Plan and this Plan Sanction Order are effective in accordance with their terms. Following the Plan Implementation Date, the Monitor shall file the Monitor's Certificate with this Court.

13. **THIS COURT ORDERS AND DECLARES** that the steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations to be effected on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated in the Plan, without any further act or formality, beginning at the Effective Time.

14. **THIS COURT ORDERS** that SFC, the Monitor and the Initial Consenting Noteholders are hereby authorized and empowered to exercise all such consent and approval rights in the manner set forth in the Plan, whether prior to or after implementation of the Plan.

15. **THIS COURT ORDERS** that from and after the Plan Implementation Date, and for the purposes of the Plan only, (i) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, such agreement, waiver consent or approval may be provided by the Monitor; and (ii) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, and the Monitor has been discharged pursuant to an Order, such agreement, waiver consent or approval shall be deemed not to be necessary.

**COMPROMISE OF CLAIMS AND EFFECT OF PLAN**

16. **THIS COURT ORDERS AND DECLARES** that, pursuant to and in accordance with the terms of the Plan, on the Plan Implementation Date, any and all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions and interests to which they are entitled pursuant to the Plan.

17. **THIS COURT ORDERS AND DECLARES** that, pursuant to and in accordance with the terms of the Plan, on the Plan Implementation Date and at the time specified in Section 6.4 of the Plan, all accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims (including any Accrued Interest on the Notes and any interest accruing on the Notes or any Ordinary Affected Creditor Claim after the Filing Date) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred for no consideration and no Person shall have any entitlement to any such accrued and unpaid interest.

18. **THIS COURT ORDERS AND DECLARES** that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged, barred and restrained, and all proceedings with respect to, in connection with, or relating to any such matter shall be permanently stayed.

19. **THIS COURT ORDERS** that each Affected Creditor is hereby deemed to have consented to all of the provisions of the Plan, in its entirety, and each Affected Creditor is hereby deemed to have executed and delivered to SFC all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

20. **THIS COURT ORDERS** that, on the Plan Implementation Date and at the time specified in Section 6.4 of the Plan, the SFC Assets (including for greater certainty the Direct Subsidiary Shares, the SFC Intercompany Claims and all other SFC Assets assigned, transferred and conveyed to Newco and/or Newco II pursuant to section 6.4 of the Plan) shall vest in the Person to whom such assets are being assigned, transferred and conveyed, in accordance with the terms of the Plan, free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O

Claims, Non-Released D&O Claims, Affected Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, Causes of Action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. Any Encumbrances or claims affecting, attaching to or relating to the SFC Assets in respect of the foregoing are and shall be deemed to be irrevocably expunged and discharged as against the SFC Assets, and no such Encumbrances or claims shall be pursued or enforceable as against Newco, Newco II or any other Person.

21. **THIS COURT ORDERS** that any securities, interests, rights or claims pursuant to the Plan, including the Newco Shares, the Newco Notes and the Litigation Trust Interests, issued, assigned, transferred or conveyed pursuant to the Plan will be free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Affected Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims, Non-Released D&O Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, causes of action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing.

22. **THIS COURT ORDERS** that the Litigation Trust Agreement is hereby approved and deemed effective as of the Plan Implementation Date, including with respect to the transfer, assignment and delivery of the Litigation Trust Claims to the Litigation Trustee which shall, and are hereby deemed to, occur on and as of the Plan Implementation Date. For greater certainty, the Litigation Trust Claims transferred, assigned and delivered to the Litigation Trustee shall not include any Excluded Litigation Trust Claims and all Affected Creditors shall be deemed to have consented to the release of any such Excluded Litigation Trust Claims pursuant to the Plan.

23. **THIS COURT ORDERS** that section 36.1 of the CCAA, sections 95 to 101 of the BIA and any other federal or provincial Law relating to preferences, fraudulent conveyances or transfers at undervalue, shall not apply to the Plan or to any payments, distributions, transfers,

allocations or transactions made or completed in connection with the restructuring and recapitalization of SFC, whether before or after the Filing Date, including, without limitation, to any and all of the payments, distributions, transfers, allocations or transactions contemplated by and to be implemented pursuant to the Plan.

24. **THIS COURT ORDERS** that the articles of reorganization to be filed by SFC pursuant to section 191 of the CBCA, substantially in the form attached as Schedule "C" hereto, are hereby approved, and SFC is hereby authorized to file the articles of reorganization with the Director (as defined in the CBCA).

25. **THIS COURT ORDERS** that on the Equity Cancellation Date, or such other date as agreed to by the Monitor, SFC and the Initial Consenting Noteholders, all Existing Shares and other Equity Interests shall be fully, finally and irrevocably cancelled.

26. **THIS COURT ORDERS AND DECLARES** that the Newco Shares shall be and are hereby deemed to have been validly authorized, created, issued and outstanding as fully-paid and non-assessable shares in the capital of Newco as of the Effective Time.

27. **THIS COURT ORDERS AND DECLARES** that upon the Plan Implementation Date the initial Newco Share in the capital of Newco held by the Initial Newco Shareholder shall be deemed to have been redeemed and cancelled for no consideration.

28. **THIS COURT ORDERS AND DECLARES** that it was advised prior to the hearing in respect of the Plan Sanction Order that the Plan Sanction Order will be relied upon by SFC and Newco as an approval of the Plan for the purpose of relying on the exemption from the registration requirements of the *United States Securities Act of 1933*, as amended, pursuant to section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan.

#### **STAY OF PROCEEDINGS**

29. **THIS COURT ORDERS** that all obligations, agreements or leases to which (i) SFC remains a party on the Plan Implementation Date, or (ii) Newco and/or Newco II becomes a party as a result of the conveyance of the SFC Assets to Newco and the further conveyance of

the SFC Assets to Newco II on the Plan Implementation Date, shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation, agreement or lease shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation, agreement or lease, (including any right of set-off, dilution or other remedy), or make any demand against SFC, Newco, Newco II, any Subsidiary or any other Person under or in respect of any such agreement with Newco, Newco II or any Subsidiary, by reason:

- (a) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled any other party thereto to enforce those rights or remedies;
- (b) that SFC sought or obtained relief under the CCAA or by reason of any steps or actions taken as part of the CCAA Proceeding or this Plan Sanction Order or prior orders of this Court;
- (c) of any default or event of default arising as a result of the financial condition or insolvency of SFC;
- (d) of the completion of any of the steps, actions or transactions contemplated under the Plan, including, without limitation, the transfer, conveyance and assignment of the SFC Assets to Newco and the further transfer, conveyance and assignment of the SFC Assets by Newco to Newco II; or
- (e) of any steps, compromises, releases, discharges, cancellations, transactions, arrangements or reorganizations effected pursuant to the Plan.

30. **THIS COURT ORDERS** that from and after the Plan Implementation Date, any and all Persons shall be and are hereby stayed from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with to advance any Released Claims.



31. **THIS COURT ORDERS** that between (i) the Plan Implementation Date and (ii) the earlier of the Ernst & Young Settlement Date or such other date as may be ordered by the Court on a motion to the Court on reasonable notice to Ernst & Young, any and all Persons shall be and are hereby stayed from commencing, taking, applying for or issuing or continuing any and all steps or proceedings against Ernst & Young (other than all steps or proceedings to implement the Ernst & Young Settlement) pursuant to the terms of the Order of the Honourable Justice Morawetz dated May 8, 2012, provided that no steps or proceedings against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission under the *Securities Act* (Ontario) shall be stayed by this Order.

### **RELEASES**

32. **THIS COURT ORDERS** that, subject to section 7.2 of the Plan, all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 of the Plan:

- (a) all Affected Claims, including, without limitation, all Affected Creditor Claims, Equity Claims, D&O Claims (other than Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims and Non-Released D&O Claims), D&O Indemnity Claims (except as set forth in section 7.1(d) of the Plan) and Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims);
- (b) all Claims of the Ontario Securities Commission or any other Governmental Entity that have or could give rise to a monetary liability, including, without limitation, fines, awards, penalties, costs, claims for reimbursement or other claims having a monetary value;
- (c) all Class Action Claims (including, without limitation, the Noteholder Class Action Claims) against SFC, the Subsidiaries or the Named Directors or Officers of SFC or the Subsidiaries (other than Class Action Claims that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims);
- (d) all Class Action Indemnity Claims (including, without limitation, related D&O Indemnity Claims), other than any Class Action Indemnity Claim by the Third Party

Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (including, without limitation, any D&O Indemnity Claim in that respect), which shall be limited to the Indemnified Noteholder Class Action Limit pursuant to the releases set out in section 7.1(f) of the Plan and the injunctions set out in section 7.3 of the Plan;

- (e) any portion or amount of liability of the Third Party Defendants for the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all Indemnified Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (f) any portion or amount of liability of the Underwriters for the Noteholder Class Action Claims (other than any Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (g) any portion or amount of, or liability of SFC for, any Class Action Indemnity Claims by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;
- (h) any and all Excluded Litigation Trust Claims;
- (i) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including, without limitation, members of any committee or governance council), partner or employee of any of the foregoing, for or in connection with or in any way relating to: any Claims (including, without limitation, notwithstanding anything to the contrary herein, any Unaffected Claims);

Affected Claims; Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims; Non-Released D&O Claims; Class Action Claims; Class Action Indemnity Claims; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, claims for contribution, share pledges or Encumbrances related to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries;

- (j) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, the Named Directors and Officers, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including, without limitation, members of any committee or governance council), partner or employee of any of the foregoing, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date (or, with respect to actions taken pursuant to the Plan after the Plan Implementation Date, the date of such actions) in any way relating to, arising out of, leading up to, for, or in connection with the CCAA Proceeding, RSA, the Restructuring Transaction, the Plan, any proceedings commenced with respect to or in connection with the Plan, or the transactions contemplated by the RSA and the Plan, including, without limitation, the creation of Newco and/or Newco II and the creation, issuance or distribution of the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, provided that nothing in this paragraph shall release or discharge any of the Persons listed in this paragraph from or in respect of any obligations any of them may have under or in respect of the RSA, the Plan or under or in respect of any of Newco, Newco II, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

- (k) any and all Causes of Action against the Subsidiaries for or in connection with any Claim (including, without limitation, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including, without limitation, any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any indemnification obligation to Directors or Officers of SFC or the Subsidiaries pertaining to SFC, the Notes, the Note Indentures, the Existing Shares, the Equity Interests, any other securities of SFC or any other right, claim or liability for or in connection with the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC (whenever or however conducted), the administration and/or management of SFC, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing;
- (l) all Subsidiary Intercompany Claims as against SFC (which are assumed by Newco and then Newco II pursuant to the Plan);
- (m) any entitlements of Ernst & Young to receive distributions of any kind (including, without limitation, Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan;

- (n) any entitlements of the Underwriters to receive distributions of any kind (including, without limitation, Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan; and
- (o) any entitlements of the Named Third Party Defendants to receive distributions of any kind (including, without limitation, Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan.

33. **THIS COURT ORDERS** that nothing in the Plan nor in this Plan Sanction Order shall waive, compromise, release, discharge, cancel or bar any of the claims listed in section 7.2 of the Plan.

34. **THIS COURT ORDERS** that, for greater certainty, nothing in the Plan nor in this Plan Sanction Order shall release any obligations of the Subsidiaries owed to (i) any employees, directors or officers of those Subsidiaries in respect of any wages or other compensation related arrangements, or (ii) to suppliers and trade creditors of the Subsidiaries in respect of goods or services supplied to the Subsidiaries.

35. **THIS COURT ORDERS** that any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of SFC relating to the Notes or the Note Indentures shall be and are hereby deemed to be released, discharged and cancelled.

36. **THIS COURT ORDERS** that the Trustees are hereby authorized and directed to release, discharge and cancel any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures.

37. **THIS COURT ORDERS** that any claims against the Named Directors and Officers in respect of Section 5.1(2) D&O Claims or Conspiracy Claims shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person, (including SFC, any of the Subsidiaries, Newco or Newco II), other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s).

38. **THIS COURT ORDERS** that all Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan.

39. **THIS COURT ORDERS AND DECLARES** that from and after the Plan Implementation Date, (i) subject to the prior consent of the Initial Consenting Noteholders and the terms of the Litigation Trust Agreement, each of the Litigation Trustee and the Monitor shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, and (ii) all Affected Creditors shall be deemed to consent to any such treatment of any Litigation Trust Claims.

40. **THIS COURT ORDERS** that the Ernst & Young Settlement and the release of the Ernst & Young Claims pursuant to section 11.1 of the Plan shall become effective upon the satisfaction of the following conditions precedent:

- (a) approval by this Honourable Court of the terms of the Ernst & Young Settlement, including the terms and scope of the Ernst & Young Release and the Settlement Trust Order;
- (b) issuance by this Honourable Court of the Settlement Trust Order;
- (c) the granting of orders under Chapter 15 of the United States *Bankruptcy Code* recognizing and enforcing the Sanction Order and the Settlement Trust Order and any court orders necessary in the United States to approve the Ernst & Young Settlement and any other necessary ancillary order;
- (d) any other order necessary to give effect to the Ernst & Young Settlement (the orders referenced in (c) and (d) being collectively the “Ernst & Young Orders”);
- (e) the fulfillment of all conditions precedent in the Ernst & Young Settlement and the fulfillment by the Ontario Class Action Plaintiffs of all of their obligations thereunder;
- (f) the Sanction Order, the Settlement Trust Order and all Ernst & Young Orders being final orders and not subject to further appeal or challenge; and
- (g) the payment by Ernst & Young of the settlement amount as provided in the Ernst & Young Settlement to the trust established pursuant to the Settlement Trust Order,

Upon the foregoing conditions precedent having been satisfied and upon receipt of a certificate from Ernst & Young confirming it has paid the settlement amount to the Settlement Trust in accordance with the Ernst & Young Settlement and the trustee of the Settlement Trust confirming receipt of such settlement amount, the Monitor shall be authorized and directed to deliver to Ernst & Young the Monitor’s Ernst & Young Settlement Certificate and the Monitor shall file the Monitor’s Ernst & Young Settlement Certificate with this Honourable Court after delivery of such certificate to Ernst & Young, all as provided for in section 11.1 of the Plan.

41. **THIS COURT ORDERS** that any Named Third Party Defendant Settlement, Named Third Party Defendant Settlement Order and Named Third Party Defendant Release, the terms

and scope of which remain in each case subject to future court approval in accordance with the Plan, shall only become effective after the Plan Implementation Date and upon the satisfaction of the conditions precedent to the applicable Named Third Party Defendant Settlement and the delivery of the applicable Monitor's Named Third Party Settlement Certificate to the applicable Named Third Party Defendant, all as set forth in section 11.2 of the Plan.

### **THE MONITOR**

42. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein and in the Plan, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the Plan to facilitate the implementation of the Plan.

43. **THIS COURT ORDERS** that the Monitor shall not make any payment from the Monitor's Post-Implementation Reserve to any third party professional services provider (other than its counsel) that exceeds \$250,000 (alone or in a series of related payments) without the prior consent of the Initial Consenting Noteholders or an Order of this Court.

44. **THIS COURT ORDERS** that: (i) in carrying out the terms of this Plan Sanction Order and the Plan, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Order of this Court dated April 20, 2012 expanding the powers of the Monitor, and as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Plan Sanction Order and/or the Plan, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of SFC and any information provided by SFC without independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

45. **THIS COURT ORDERS** that upon completion by the Monitor of its duties in respect of SFC pursuant to the CCAA, the Plan and the Orders, the Monitor may file with the Court a certificate stating that all of its duties in respect of SFC pursuant to the CCAA, the Plan and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be



discharged from its duties as Monitor and released of all claims relating to its activities as Monitor.

46. **THIS COURT ORDERS** that in no circumstances will the Monitor have any liability for any of SFC's tax liabilities, if any, regardless of how or when such liabilities may have arisen.

47. **THIS COURT ORDERS** that, subject to the due performance of its obligations as set forth in the Plan and subject to its compliance with any written directions or instructions of the Monitor and/or directions of the Court in the manner set forth in the Plan, SFC Escrow Co. shall have no liabilities whatsoever arising from the performance of its obligations under the Plan.

#### **RESERVES AND OTHER AMOUNTS**

48. **THIS COURT ORDERS AND DECLARES** that the amount of each of the Indemnified Noteholder Class Action Limit, the Litigation Funding Amount, the Unaffected Claims Reserve, the Administration Charge Reserve, the Monitor's Post-Implementation Reserve and the Unresolved Claims Reserve, is as provided for in the Plan, the Plan Supplement or in Schedule "D" hereto, or such other amount as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders, as applicable, in accordance with the terms of the Plan.

49. **THIS COURT ORDERS** that Goodmans LLP, in its capacity as counsel to the Initial Consenting Noteholders, shall be permitted to apply for an Order of the Court at any time directing the Monitor to make distributions from the Monitor's Post-Implementation Reserve.

50. **THIS COURT ORDERS AND DECLARES** that, on the Plan Implementation Date, at the time or times and in the manner set forth in section 6.4 of the Plan, each of the Charges shall be discharged, released and cancelled, and any obligations secured thereby shall be satisfied pursuant to section 4.2(b) of the Plan, and from and after the Plan Implementation Date the Administration Charge Reserve shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge.

51. **THIS COURT ORDERS AND DECLARES** that any Unresolved Claims that exceed \$1 million shall not be accepted or resolved without further Order of the Court. All parties with Unresolved Claims shall have standing in any proceeding with respect to the determination or status of any other Unresolved Claim. Counsel to the Initial Consenting Noteholders, Goodmans

LLP, shall continue to have standing in any such proceeding on behalf of the Initial Consenting Noteholders, in their capacity as Affected Creditors with Proven Claims.

#### **DOCUMENT PRESERVATION**

52. **THIS COURT ORDERS AND DECLARES** that, prior to the Effective Time, SFC shall: (i) preserve or cause to be preserved copies of any documents (as such term is defined in the *Rules of Civil Procedure* (Ontario)) that are relevant to the issues raised in the Class Actions; and (ii) make arrangements acceptable to SFC, the Monitor, the Initial Consenting Noteholders, counsel to Ontario Class Action Plaintiffs, counsel to Ernst & Young, counsel to the Underwriters and counsel to the Named Third Party Defendants to provide the parties to the Class Actions with access thereto, subject to customary commercial confidentiality, privilege or other applicable restrictions, including lawyer-client privilege, work product privilege and other privileges or immunities, and to restrictions on disclosure arising from s. 16 of the *Securities Act* (Ontario) and comparable restrictions on disclosure in other relevant jurisdictions, for purposes of prosecuting and/or defending the Class Actions, as the case may be, provided that nothing in the foregoing reduces or otherwise limits the parties' rights to production and discovery in accordance with the *Rules of Civil Procedure* (Ontario) and the *Class Proceedings Act, 1992* (Ontario).

#### **EFFECT, RECOGNITION AND ASSISTANCE**

53. **THIS COURT ORDERS** that nothing in this Plan Sanction Order or as a result of the implementation of the Plan shall affect the standing any Person has at the date of this Plan Sanction Order in respect of the CCAA Proceeding or the Litigation Trust.

54. **THIS COURT ORDERS** that the transfer, assignment and delivery to the Litigation Trustee pursuant to the Litigation Trust of (i) rights, title and interests in and to the Litigation Trust Claims and (ii) all respective rights, title and interests in and to any lawyer-client privilege, work product privilege or other privilege or immunity attaching to any documents or communications (whether written or oral) associated with the Litigation Trust Claims, regardless of whether such documents or copies thereof have been requested by the Litigation Trustee pursuant to the Litigation Trust Agreement (collectively, the "**Privileges**") shall not constitute a waiver of any such Privileges, and that such Privileges are expressly maintained.

55. **THIS COURT ORDERS** that the current directors of SFC shall be deemed to have resigned on the Plan Implementation Date. The current directors of SFC shall have no liability in such capacity for any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including, without limitation, for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, arising on or after the Plan Implementation Date.

56. **THIS COURT ORDERS** that SFC and the Monitor may apply to this Court for advice and direction with respect to any matter arising from or under the Plan or this Plan Sanction Order.

57. **THIS COURT ORDERS** that this Plan Sanction Order shall have full force and effect in all provinces and territories of Canada and abroad as against all persons and parties against whom it may otherwise be enforced.

58. **THIS COURT ORDERS** that, from and after the Plan Implementation Date, the Monitor is hereby authorized and appointed to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized in the United States pursuant to chapter 15 of title 11 of the United States Code.

59. **THIS COURT ORDERS** that, as promptly as practicable following the Plan Implementation Date, but in no event later than the third Business Day following the Plan Implementation Date, the Monitor, as the foreign representative of SFC and of the within proceedings, is hereby authorized and directed to commence a proceeding in a court of competent jurisdiction in the United States seeking recognition of the Plan and this Plan Sanction Order and confirming that the Plan and this Plan Sanction Order are binding and effective in the United States.

60. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of

China or in any other foreign jurisdiction, to give effect to this Plan Sanction Order and to assist SFC, the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to SFC and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Plan Sanction Order, to grant representative status to the Monitor in any foreign proceeding, or to assist SFC and the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order.

61. **THIS COURT ORDERS** that each of SFC and the Monitor shall, following consultation with Goodmans LLP, be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and administrative bodies, and take such steps in Canada, the United States of America, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, as may be necessary or advisable to give effect to this Plan Sanction Order and any other Order granted by this Court, including for recognition of this Plan Sanction Order and for assistance in carrying out its terms.

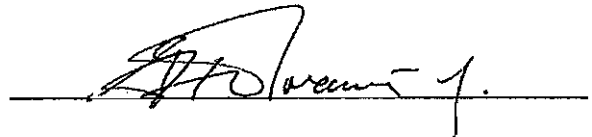
62. **THIS COURT ORDERS** that this Plan Sanction Order shall be posted on the Monitor's Website at <http://cfcanada.fticonsulting.com/sfc> and only be required to be served upon the parties on the Service List and those parties who appeared at the hearing of the motion for this Plan Sanction Order.

63. **THIS COURT ORDERS AND DECLARES** that any conflict or inconsistency between the Plan and this Plan Sanction Order shall be governed by the terms, conditions and provisions of the Plan, which shall take precedence and priority.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:



DEC 12 2012



**Schedule "A"**

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

**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 A PLAN OF COMPROMISE AND  
ARRANGEMENT OF SINO-FOREST  
CORPORATION**

**APPLICANT**

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**PLAN OF COMPROMISE AND REORGANIZATION**

**pursuant to the *Companies' Creditors Arrangement Act*  
and the *Canada Business Corporations Act*  
concerning, affecting and involving**

**SINO-FOREST CORPORATION**

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**December 3, 2012**

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## PLAN OF COMPROMISE AND REORGANIZATION

**WHEREAS** Sino-Forest Corporation (“SFC”) is insolvent;

**AND WHEREAS**, on March 30, 2012 (the “**Filing Date**”), the Honourable Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an initial Order in respect of SFC (as such Order may be amended, restated or varied from time to time, the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and the *Canada Business Corporation Act*, R.S.C. 1985, c. C-44, as amended (the “**CBCA**”);

**AND WHEREAS**, on August 31, 2012, the Court granted a Plan Filing and Meeting Order (as such Order may be amended, restated or varied from time to time, the “**Meeting Order**”) pursuant to which, among other things, SFC was authorized to file this plan of compromise and reorganization and to convene a meeting of affected creditors to consider and vote on this plan of compromise and reorganization.

**NOW THEREFORE**, SFC hereby proposes this plan of compromise and reorganization pursuant to the CCAA and CBCA.

### **ARTICLE 1 INTERPRETATION**

#### **1.1 Definitions**

In the Plan, unless otherwise stated or unless the subject matter or context otherwise requires:

“**2013 Note Indenture**” means the indenture dated as of July 23, 2008, by and between SFC, the entities listed as subsidiary guarantors therein, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented.

“**2014 Note Indenture**” means the indenture dated as of July 27, 2009, by and between SFC, the entities listed as subsidiary guarantors therein, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented.

“**2016 Note Indenture**” means the indenture dated as of December 17, 2009, by and between SFC, the entities listed as subsidiary guarantors therein, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented.

“**2017 Note Indenture**” means the indenture dated as of October 21, 2010, by and between SFC, the entities listed as subsidiary guarantors therein, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented.

“**2013 Notes**” means the aggregate principal amount of US\$345,000,000 of 5.00% Convertible Senior Notes Due 2013 issued pursuant to the 2013 Note Indenture.

**"2014 Notes"** means the aggregate principal amount of US\$399,517,000 of 10.25% Guaranteed Senior Notes Due 2014 issued pursuant to the 2014 Note Indenture.

**"2016 Notes"** means the aggregate principal amount of US\$460,000,000 of 4.25% Convertible Senior Notes Due 2016 issued pursuant to the 2016 Note Indenture.

**"2017 Notes"** means the aggregate principal amount of US\$600,000,000 of 6.25% Guaranteed Senior Notes Due 2017 issued pursuant to the 2017 Note Indenture.

**"Accrued Interest"** means, in respect of any series of Notes, all accrued and unpaid interest on such Notes, at the regular rates provided in the applicable Note Indentures, up to and including the Filing Date.

**"Administration Charge"** has the meaning ascribed thereto in the Initial Order.

**"Administration Charge Reserve"** means the cash reserve to be established by SFC on the Plan Implementation Date in the amount of \$500,000 or such other amount as agreed to by the Monitor and the Initial Consenting Noteholders, which cash reserve: (i) shall be maintained and administered by the Monitor, in trust, for the purpose of paying any amounts secured by the Administration Charge; and (ii) upon the termination of the Administration Charge pursuant to the Plan, shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge.

**"Affected Claim"** means any Claim, D&O Claim or D&O Indemnity Claim that is not: an Unaffected Claim; a Section 5.1(2) D&O Claim; a Conspiracy Claim; a Continuing Other D&O Claim; a Non-Released D&O Claim; or a Subsidiary Intercompany Claim, and "Affected Claim" includes any Class Action Indemnity Claim. For greater certainty, all of the following are Affected Claims: Affected Creditor Claims; Equity Claims; Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims); and Class Action Indemnity Claims.

**"Affected Creditor"** means a Person with an Affected Creditor Claim, but only with respect to and to the extent of such Affected Creditor Claim.

**"Affected Creditor Claim"** means any Ordinary Affected Creditor Claim or Noteholder Claim.

**"Affected Creditors Class"** has the meaning ascribed thereto in section 3.2(a) hereof.

**"Affected Creditors Equity Sub-Pool"** means an amount of Newco Shares representing 92.5% of the Newco Equity Pool.

**"Alternative Sale Transaction"** has the meaning ascribed thereto in section 10.1 hereof.

**"Alternative Sale Transaction Consideration"** has the meaning ascribed thereto in section 10.1 hereof.

**"Applicable Law"** means any applicable law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada,

the United States, Hong Kong, the PRC or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

**“Auditors”** means the former auditors of SFC that are named as defendants to the Class Actions Claims, including for greater certainty Ernst & Young LLP and BDO Limited.

**“Barbados Loans”** means the aggregate amount outstanding at the date hereof pursuant to three loans made by SFC Barbados to SFC in the amounts of US\$65,997,468.10 on February 1, 2011, US\$59,000,000 on June 7, 2011 and US\$176,000,000 on June 7, 2011.

**“Barbados Property”** has the meaning ascribed thereto in section 6.4(j) hereof.

**“BIA”** means the *Bankruptcy and Insolvency Act*, R. S. C. 1985, c. B-3.

**“Business Day”** means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario.

**“Canadian Tax Act”** means the *Income Tax Act* (Canada) and the *Income Tax Regulations*, in each case as amended from time to time.

**“Causes of Action”** means any and all claims, actions, causes of action, demands, counterclaims, suits, rights, entitlements, litigation, arbitration, proceeding, hearing, complaint, debt, obligation, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries of whatever nature that any Person may be entitled to assert in law, equity or otherwise, whether known or unknown, foreseen or unforeseen, reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly, indirectly or derivatively, existing or hereafter arising and whether pertaining to events occurring before, on or after the Filing Date.

**“CBCA”** has the meaning ascribed thereto in the recitals.

**“CCAA”** has the meaning ascribed thereto in the recitals.

**“CCAA Proceeding”** means the proceeding commenced by SFC under the CCAA on the Filing Date in the Ontario Superior Court of Justice (Commercial List) under court file number CV-12-9667-00CL.

**“Charges”** means the Administration Charge and the Directors’ Charge.

**“Claim”** means any right or claim of any Person that may be asserted or made against SFC, in whole or in part, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express,

implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person (including any Directors or Officers of SFC or any of the Subsidiaries) to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable against SFC in bankruptcy within the meaning of the BIA had SFC become bankrupt on the Filing Date, or is an Equity Claim, a Noteholder Class Action Claim against SFC, a Class Action Indemnity Claim against SFC, a Restructuring Claim or a Lien Claim, provided, however, that "Claim" shall not include a D&O Claim or a D&O Indemnity Claim.

**"Claims Bar Date"** has the meaning ascribed thereto in the Claims Procedure Order.

**"Claims Procedure"** means the procedure established for determining the amount and status of Claims, D&O Claims and D&O Indemnity Claims, including in each case any such claims that are Unresolved Claims, pursuant to the Claims Procedure Order.

**"Claims Procedure Order"** means the Order under the CCAA of the Honourable Justice Morawetz dated May 14, 2012, establishing, among other things, a claims procedure in respect of SFC and calling for claims in respect of the Subsidiaries, as such Order may be amended, restated or varied from time to time.

**"Class Action Claims"** means, collectively, any rights or claims of any kind advanced or which may subsequently be advanced in the Class Actions or in any other similar proceeding, whether a class action proceeding or otherwise, and for greater certainty includes any Noteholder Class Action Claims.

**"Class Actions"** means, collectively, the following proceedings: (i) *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP); (ii) *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No. 200-06-000132-111); (iii) *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011); and (iv) *David Leopard et al. v. Allen T.Y. Chan et al.* (District Court of the Southern District of New York, Court File No. 650258/2012).

**"Class Action Court"** means, with respect to the Class Action Claims, the court of competent jurisdiction that is responsible for administering the applicable Class Action Claim.

**"Class Action Indemnity Claim"** means any right or claim of any Person that may be asserted or made in whole or in part against SFC and/or any Subsidiary for indemnity, contribution, reimbursement or otherwise from or in connection with any Class Action Claim asserted against

such Person. For greater certainty, Class Action Indemnity Claims are distinct from and do not include Class Action Claims.

**“Consent Date”** means May 15, 2012.

**“Conspiracy Claim”** means any D&O Claim alleging that the applicable Director or Officer committed the tort of civil conspiracy, as defined under Canadian common law.

**“Continuing Noteholder Class Action Claim”** means any Noteholder Class Action Claim that is: (i) a Section 5.1(2) D&O Claim; (ii) a Conspiracy Claim; (iii) a Non-Released D&O Claim; (iv) a Continuing Other D&O Claim; (v) a Noteholder Class Action Claim against one or more Third Party Defendants that is not an Indemnified Noteholder Class Action Claim; (vi) the portion of an Indemnified Noteholder Class Action Claim that is permitted to continue against the Third Party Defendants, subject to the Indemnified Noteholder Class Action Limit, pursuant to section 4.4(b)(i) hereof.

**“Continuing Other D&O Claims”** has the meaning ascribed thereto in section 4.9(b) hereof.

**“Court”** has the meaning ascribed thereto in the recitals.

**“D&O Claim”** means (i) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers of SFC that relates to a Claim for which such Directors or Officers are by law liable to pay in their capacity as Directors or Officers of SFC, or (ii) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers of SFC, in that capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty and including, for greater certainty, any monetary administrative or other monetary penalty or claim for costs asserted against any Officer or Director of SFC by any Government Entity) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person to advance a claim for contribution or indemnity from any such Directors or Officers of SFC or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, or (B) relates to a time period prior to the Filing Date.

**“D&O Indemnity Claim”** means any existing or future right of any Director or Officer of SFC against SFC that arose or arises as a result of any Person filing a D&O Proof of Claim (as

defined in the Claims Procedure Order) in respect of such Director or Officer of SFC for which such Director or Officer of SFC is entitled to be indemnified by SFC.

**“Defence Costs”** has the meaning ascribed thereto in section 4.8 hereof.

**“Director”** means, with respect to SFC or any Subsidiary, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of such SFC Company.

**“Directors’ Charge”** has the meaning ascribed thereto in the Initial Order.

**“Direct Registration Account”** means, if applicable, a direct registration account administered by the Transfer Agent in which those Persons entitled to receive Newco Shares and/or Newco Notes pursuant to the Plan will hold such Newco Shares and/or Newco Notes in registered form.

**“Direct Registration Transaction Advice”** means, if applicable, a statement delivered by the Monitor, the Trustees, the Transfer Agent or any such Person’s agent to any Person entitled to receive Newco Shares or Newco Notes pursuant to the Plan on the Initial Distribution Date and each subsequent Distribution Date, as applicable, indicating the number of Newco Shares and/or Newco Notes registered in the name of or as directed by the applicable Person in a Direct Registration Account.

**“Direct Subsidiaries”** means, collectively, Sino-Panel Holdings Limited, Sino-Global Holdings Inc., Sino-Panel Corporation, Sino-Capital Global Inc., SFC Barbados, Sino-Forest Resources Inc. Sino-Wood Partners, Limited.

**“Distribution Date”** means the date or dates from time to time set in accordance with the provisions of the Plan to effect distributions in respect of the Proven Claims, excluding the Initial Distribution Date.

**“Distribution Escrow Position”** has the meaning ascribed thereto in section 5.2(d) hereof.

**“Distribution Record Date”** means the Plan Implementation Date, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

**“DTC”** means The Depository Trust Company, or any successor thereof.

**“Early Consent Equity Sub-Pool”** means an amount of Newco Shares representing 7.5% of the Newco Equity Pool.

**“Early Consent Noteholder”** means any Noteholder that:

- (a) (i) as confirmed by the Monitor on June 12, 2012, executed the (A) RSA, (B) a support agreement with SFC and the Direct Subsidiaries in the form of the RSA or (C) a joinder agreement in the form attached as Schedule C to the RSA; (ii) provided evidence satisfactory to the Monitor in accordance with section 2(a) of the RSA of the Notes held by such Noteholder as at the Consent Date (the **“Early Consent Notes”**), as such list of Noteholders and Notes held has been verified

and is maintained by the Monitor on a confidential basis; and (iii) continues to hold such Early Consent Notes as at the Distribution Record Date; or

- (b) (i) has acquired Early Consent Notes; (ii) has signed the necessary transfer and joinder documentation as required by the RSA and has otherwise acquired such Early Consent Notes in compliance with the RSA; and (iii) continues to hold such Early Consent Notes as at the Distribution Record Date.

**“Effective Time”** means 8:00 a.m. (Toronto time) on the Plan Implementation Date or such other time on such date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

**“Eligible Third Party Defendant”** means any of the Underwriters, BDO Limited and Ernst & Young (in the event that the Ernst & Young Settlement is not completed), together with any of their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns (but excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such), and any Director or Officer together with their respective successors, administrators, heirs and assigns.

**“Employee Priority Claims”** means the following Claims of employees and former employees of SFC:

- (a) Claims equal to the amounts that such employees and former employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if SFC had become bankrupt on the Filing Date; and
- (b) Claims for wages, salaries, commissions or compensation for services rendered by them after the Filing Date and on or before the Plan Implementation Date.

**“Encumbrance”** means any security interest (whether contractual, statutory, or otherwise), hypothec, mortgage, trust or deemed trust (whether contractual, statutory, or otherwise), lien, execution, levy, charge, demand, action, liability or other claim, action, demand or liability of any kind whatsoever, whether proprietary, financial or monetary, and whether or not it has attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including: (i) any of the Charges; and (ii) any charge, security interest or claim evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system.

**“Equity Cancellation Date”** means the date that is the first Business Day at least 31 days after the Plan Implementation Date, or such other date as may be agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

**“Equity Claim”** means a Claim that meets the definition of “equity claim” in section 2(1) of the CCAA and, for greater certainty, includes any of the following:

- (a) any claim against SFC resulting from the ownership, purchase or sale of an equity interest in SFC, including the claims by or on behalf of current or former shareholders asserted in the Class Actions;



- (b) any indemnification claim against SFC related to or arising from the claims described in sub-paragraph (a), including any such indemnification claims against SFC by or on behalf of any and all of the Third Party Defendants (other than for Defence Costs, unless any such claims for Defence Costs have been determined to be Equity Claims subsequent to the date of the Equity Claims Order); and
- (c) any other claim that has been determined to be an Equity Claim pursuant to an Order of the Court.

**“Equity Claimant”** means any Person having an Equity Claim, but only with respect to and to the extent of such Equity Claim.

**“Equity Claimant Class”** has the meaning ascribed thereto in section 3.2(b).

**“Equity Claims Order”** means the Order under the CCAA of the Honourable Justice Morawetz dated July 27, 2012, in respect of Shareholder Claims and Related Indemnity Claims against SFC, as such terms are defined therein.

**“Equity Interest”** has the meaning set forth in section 2(1) of the CCAA.

**“Ernst & Young”** means Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other member firms thereof, and all present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each, but excludes any Director or Officer (in their capacity as such) and successors, administrators, heirs and assigns of any Director or Officer (in their capacity as such).

**“Ernst & Young Claim”** means any and all demands, claims, actions, Causes of Action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any claim, indebtedness, liability, obligation, demand or cause of action of whatever nature that any Person, including any Person who may claim contribution or indemnification against or from them and also including for greater certainty the SFC Companies, the Directors (in their capacity as such), the Officers (in their capacity as such), the Third Party Defendants, Newco, Newco II, the directors and officers of Newco and Newco II, the Noteholders or any Noteholder, any past, present or future holder of a direct or indirect equity interest in the SFC Companies, any past, present or future direct or indirect investor or security holder of the SFC Companies, any direct or indirect security holder of Newco or Newco II, the Trustees, the Transfer Agent, the Monitor, and each and every member (including members of any committee or governance council), present and former affiliate, partner, associate, employee, servant, agent, contractor, director, officer, insurer and each and every successor, administrator, heir and assign of each of any of the foregoing may or could (at any time past present or future) be entitled to assert against Ernst & Young, including any and all claims in respect of statutory liabilities of Directors (in their capacity as such), Officers (in their capacity as such) and any alleged fiduciary (in any capacity) whether known or unknown, matured or unmatured, direct or derivative, foreseen or unforeseen, suspected or unsuspected, contingent or not contingent, existing or hereafter arising, based in whole or in part

on any act or omission, transaction, dealing or other occurrence existing or taking place on, prior to or after the Ernst & Young Settlement Date relating to, arising out of or in connection with the SFC Companies, the SFC Business, any Director or Officer (in their capacity as such) and/or professional services performed by Ernst & Young or any other acts or omissions of Ernst & Young in relation to the SFC Companies, the SFC Business, any Director or Officer (in their capacity as such), including for greater certainty but not limited to any claim arising out of:

- (a) all audit, tax, advisory and other professional services provided to the SFC Companies or related to the SFC Business up to the Ernst & Young Settlement Date, including for greater certainty all audit work performed, all auditors' opinions and all consents in respect of all offering of SFC securities and all regulatory compliance delivered in respect of all fiscal periods and all work related thereto up to and including the Ernst & Young Settlement Date;
- (b) all claims advanced or which could have been advanced in any or all of the Class Actions;
- (c) all claims advanced or which could have been advanced in any or all actions commenced in all jurisdictions prior the Ernst & Young Settlement Date; or
- (d) all Noteholder Claims, Litigation Trust Claims or any claim of the SFC Companies,

provided that "Ernst & Young Claim" does not include any proceedings or remedies that may be taken against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission, and the jurisdiction of the Ontario Securities Commission and staff of the Ontario Securities Commission in relation to Ernst & Young under the Securities Act, R.S.O. 1990, c. S-5 is expressly preserved.

**"Ernst & Young Orders"** has the meaning ascribed thereto in section 11.1(a) hereof.

**"Ernst & Young Release"** means the release described in 11.1(b) hereof.

**"Ernst & Young Settlement"** means the settlement as reflected in the Minutes of Settlement executed on November 29, 2012 between Ernst & Young LLP, on behalf of itself and Ernst & Young Global Limited and all member firms thereof and the plaintiffs in Ontario Superior Court Action No. CV-11-4351153-00CP and in Quebec Superior Court No. 200-06-00132-111, and such other documents contemplated thereby.

**"Ernst & Young Settlement Date"** means the date that the Monitor's Ernst & Young Settlement Certificate is delivered to Ernst & Young.

**"Excluded Litigation Trust Claims"** has the meaning ascribed thereto in section 4.12(a) hereof.

**"Excluded SFC Assets"** means (i) the rights of SFC to be transferred to the Litigation Trust in accordance with section 6.4(o) hereof; (ii) any entitlement to insurance proceeds in respect of Insured Claims, Section 5.1(2) D&O Claims and/or Conspiracy Claims; (iii) any secured property of SFC that is to be returned in satisfaction of a Lien Claim pursuant to section 4.2(c)(i)

hereof; (iv) any input tax credits or other refunds received by SFC after the Effective Time; and (v) cash in the aggregate amount of (and for the purpose of): (A) the Litigation Funding Amount; (B) the Unaffected Claims Reserve; (C) the Administration Charge Reserve; (D) the Expense Reimbursement and the other payments to be made pursuant to section 6.4(d) hereof (having regard to the application of any outstanding retainers, as applicable); (E) any amounts in respect of Lien Claims to be paid in accordance with section 4.2(c)(ii) hereof; and (F) the Monitor's Post-Implementation Reserve; (vi) any office space, office furniture or other office equipment owned or leased by SFC in Canada; (vii) the SFC Escrow Co. Share; (viii) Newco Promissory Note 1; and (ix) Newco Promissory Note 2.

**"Existing Shares"** means all existing shares in the equity of SFC issued and outstanding immediately prior to the Effective Time and all warrants, options or other rights to acquire such shares, whether or not exercised as at the Effective Time.

**"Expense Reimbursement"** means the aggregate amount of (i) the reasonable and documented fees and expenses of the Noteholder Advisors, pursuant to their respective engagement letters with SFC, and other advisors as may be agreed to by SFC and the Initial Consenting Noteholders and (ii) the reasonable fees and expenses of the Initial Consenting Noteholders incurred in connection with the negotiation and development of the RSA and this Plan, including in each case an estimated amount for any such fees and expenses expected to be incurred in connection with the implementation of the Plan, including in the case of (ii) above, an aggregate work fee of up to \$5 million (which work fee may, at the request of the Monitor, be paid by any of the Subsidiaries instead of SFC).

**"Filing Date"** has the meaning ascribed thereto in the recitals.

**"Fractional Interests"** has the meaning given in section 5.12 hereof.

**"FTI HK"** means FTI Consulting (Hong Kong) Limited.

**"Governmental Entity"** means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

**"Government Priority Claims"** means all Claims of Governmental Entities in respect of amounts that were outstanding as of the Plan Implementation Date and that are of a kind that could be subject to a demand under:

- (a) subsections 224(1.2) of the Canadian Tax Act;
- (b) any provision of the *Canada Pension Plan* or the *Employment Insurance Act* (Canada) that refers to subsection 224(1.2) of the Canadian Tax Act and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or employee's premium or employer's premium as defined in the *Employment*

*Insurance Act* (Canada), or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or

- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Canadian Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
- (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Canadian Tax Act; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

“**Greenheart**” means Greenheart Group Limited, a company established under the laws of Bermuda.

“**Indemnified Noteholder Class Action Claims**” has the meaning ascribed thereto in section 4.4(b)(i) hereof.

“**Indemnified Noteholder Class Action Limit**” means \$150 million or such lesser amount agreed to by SFC, the Monitor, the Initial Consenting Noteholders and counsel to the Ontario Class Action Plaintiffs prior to the Plan Implementation Date or agreed to by the Initial Consenting Noteholders and counsel to the Class Action Plaintiffs after the Plan Implementation Date.

“**Initial Consenting Noteholders**” means, subject to section 12.7 hereof, the Noteholders that executed the RSA on March 30, 2012.

“**Initial Distribution Date**” means a date no more than ten (10) Business Days after the Plan Implementation Date or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“**Initial Newco Shareholder**” means a Person to be determined by the Initial Consenting Noteholders prior to the Effective Time, with the consent of SFC and the Monitor, to serve as the initial sole shareholder of Newco pursuant to section 6.2(a) hereof.

“**Initial Order**” has the meaning ascribed thereto in the recitals.

“**Insurance Policies**” means, collectively, the following insurance policies, as well as any other insurance policy pursuant to which SFC or any Director or Officer is insured: ACE INA Insurance Policy Number DO024464; Chubb Insurance Company of Canada Policy Number 8209-4449; Lloyds of London, England Policy Number XTFF0420; Lloyds of London, England

Policy Number XTFF0373; and Travelers Guarantee Company of Canada Policy Number 10181108, and **"Insurance Policy"** means any one of the Insurance Policies.

**"Insured Claim"** means all or that portion of any Claim for which SFC is insured and all or that portion of any D&O Claim for which the applicable Director or Officer is insured, in each case pursuant to any of the Insurance Policies.

**"Intellectual Property"** means: (i) patents, and applications for patents, including divisional and continuation patents; (ii) registered and unregistered trade-marks, logos and other indicia of origin, pending trade-mark registration applications, and proposed use application or similar reservations of marks, and all goodwill associated therewith; (iii) registered and unregistered copyrights, including all copyright in and to computer software programs, and applications for and registration of such copyright (including all copyright in and to the SFC Companies' websites); (iv) world wide web addresses and internet domain names, applications and reservations for world wide web addresses and internet domain names, uniform resource locators and the corresponding internet sites; (v) industrial designs; and (vi) trade secrets and proprietary information not otherwise listed in (i) through (v) above, including all inventions (whether or not patentable), invention disclosures, moral and economic rights of authors and inventors (however denominated), confidential information, technical data, customer lists, corporate and business names, trade names, trade dress, brand names, know-how, formulae, methods (whether or not patentable), designs, processes, procedures, technology, business methods, source codes, object codes, computer software programs (in either source code or object code form), databases, data collections and other proprietary information or material of any type, and all derivatives, improvements and refinements thereof, howsoever recorded, or unrecorded.

**"Letter of Instruction"** means a form, to be completed by each Ordinary Affected Creditor and each Early Consent Noteholder, and that is to be delivered to the Monitor in accordance with section 5.1 hereof, which form shall set out:

- (a) the registration details for the Newco Shares and, if applicable, Newco Notes to be distributed to such Ordinary Affected Creditor or Early Consent Noteholder in accordance with the Plan; and
- (b) the address to which such Ordinary Affected Creditor's or Early Consent Noteholder's Direct Registration Transaction Advice or its Newco Share Certificates and Newco Note Certificates, as applicable, are to be delivered.

**"Lien Claim"** means any Proven Claim of a Person indicated as a secured creditor in Schedule "B" to the Initial Order (other than the Trustees) that is secured by a lien or encumbrance on any property of SFC, which lien is valid, perfected and enforceable pursuant to Applicable Law, provided that the Charges and any Claims in respect of Notes shall not constitute "Lien Claims".

**"Lien Claimant"** means a Person having a Lien Claim, other than any Noteholder or Trustee in respect of any Noteholder Claim.

**“Litigation Funding Amount”** means the cash amount of \$1,000,000 to be advanced by SFC to the Litigation Trustee for purposes of funding the Litigation Trust on the Plan Implementation Date in accordance with section 6.4(o) hereof.

**“Litigation Funding Receivable”** has the meaning ascribed thereto in section 6.4(o) hereof.

**“Litigation Trust”** means the trust to be established on the Plan Implementation Date at the time specified in section 6.4(p) in accordance with the Litigation Trust Agreement pursuant to the laws of a jurisdiction that is acceptable to SFC and the Initial Consenting Noteholders, which trust will acquire the Litigation Trust Claims and will be funded with the Litigation Funding Amount in accordance with the Plan and the Litigation Trust Agreement.

**“Litigation Trust Agreement”** means the trust agreement dated as of the Plan Implementation Date, between SFC and the Litigation Trustee, establishing the Litigation Trust.

**“Litigation Trust Claims”** means any Causes of Action that have been or may be asserted by or on behalf of: (a) SFC against any and all third parties; or (b) the Trustees (on behalf of the Noteholders) against any and all Persons in connection with the Notes issued by SFC; provided, however, that in no event shall the Litigation Trust Claims include any (i) claim, right or cause of action against any Person that is released pursuant to Article 7 hereof or (ii) any Excluded Litigation Trust Claim. For greater certainty: (x) the claims being advanced or that are subsequently advanced in the Class Actions are not being transferred to the Litigation Trust; and (y) the claims transferred to the Litigation Trust shall not be advanced in the Class Actions.

**“Litigation Trust Interests”** means the beneficial interests in the Litigation Trust to be created on the Plan Implementation Date.

**“Litigation Trustee”** means a Person to be determined by SFC and the Initial Consenting Noteholders prior to the Effective Time, with the consent of the Monitor, to serve as trustee of the Litigation Trust pursuant to and in accordance with the terms thereof.

**“Material”** means a fact, circumstance, change, effect, matter, action, condition, event, occurrence or development that, individually or in the aggregate, is, or would reasonably be expected to be, material to the business, affairs, results of operations or financial condition of the SFC Companies (taken as a whole).

**“Material Adverse Effect”** means a fact, event, change, occurrence, circumstance or condition that, individually or together with any other event, change or occurrence, has or would reasonably be expected to have a material adverse impact on the assets, condition (financial or otherwise), business, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or operations of the SFC Companies (taken as a whole); provided, however, that a Material Adverse Effect shall not include and shall be deemed to exclude the impact of any fact, event, change, occurrence, circumstance or condition resulting from or relating to: (A) changes in Applicable Laws of general applicability or interpretations thereof by courts or Governmental Entities or regulatory authorities, which changes do not have a Material disproportionate effect on the SFC Companies (taken as a whole), (B) any change in the forestry industry generally, which does not have a Material disproportionate effect on the SFC Companies (taken as a whole) (relative to other industry participants operating primarily in the PRC), (C) actions and omissions

of any of the SFC Companies required pursuant to the RSA or this Plan or taken with the prior written consent of the Initial Consenting Noteholders, (D) the effects of compliance with the RSA or this Plan, including on the operating performance of the SFC Companies, (E) the negotiation, execution, delivery, performance, consummation, potential consummation or public announcement of the RSA or this Plan or the transactions contemplated thereby or hereby, (F) any change in U.S. or Canadian interest rates or currency exchange rates unless such change has a Material disproportionate effect on the SFC Companies (taken as a whole), and (G) general political, economic or financial conditions in Canada, the United States, Hong Kong or the PRC, which changes do not have a Material disproportionate effect on the SFC Companies (taken as a whole).

**“Meeting”** means the meeting of Affected Creditors, and any adjournment or extension thereof, that is called and conducted in accordance with the Meeting Order for the purpose of considering and voting on the Plan.

**“Meeting Order”** has the meaning ascribed thereto in the recitals.

**“Monitor”** means FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of SFC in the CCAA Proceeding.

**“Monitor’s Post-Implementation Reserve”** means the cash reserve to be established by SFC on the Plan Implementation Date in the amount of \$5,000,000 or such other amount as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders, which cash reserve shall be maintained and administered by the Monitor for the purpose of administering SFC and the Claims Procedure, as necessary, from and after the Plan Implementation Date.

**“Monitor’s Ernst & Young Settlement Certificate”** has the meaning ascribed thereto in section 11.1(a) hereof.

**“Monitor’s Named Third Party Settlement Certificate”** has the meaning ascribed thereto in section 11.2(b) hereof.

**“Named Directors and Officers”** means Andrew Agnew, William E. Ardell, James Bowland, Leslie Chan, Michael Cheng, Lawrence Hon, James M.E. Hyde, Richard M. Kimel, R. John (Jack) Lawrence, Jay A. Lefton, Edmund Mak, Tom Maradin, Judson Martin, Simon Murray, James F. O’Donnell, William P. Rosenfeld, Peter Donghong Wang, Garry West and Kee Y. Wong, in their respective capacities as Directors or Officers, and **“Named Director or Officer”** means any one of them.

**“Named Third Party Defendant Settlement”** means a binding settlement between any applicable Named Third Party Defendant and one or more of: (i) the plaintiffs in any of the Class Actions; and (ii) the Litigation Trustee (on behalf of the Litigation Trust) (if after the Plan Implementation Date), provided that, in each case, such settlement must be acceptable to SFC (if on or prior to the Plan Implementation Date), the Monitor, the Initial Consenting Noteholders (if on or prior to the Plan Implementation Date) and the Litigation Trustee (if after the Plan Implementation Date), and provided further that such settlement shall not affect the plaintiffs in the Class Actions without the consent of counsel to the Ontario Class Action Plaintiffs.

**“Named Third Party Defendant Settlement Order”** means a court order approving a Named Third Party Defendant Settlement in form and in substance satisfactory to the applicable Named Third Party Defendant, SFC (if occurring on or prior to the Plan Implementation Date), the Monitor, the Initial Consenting Noteholders (if on or prior to the Plan Implementation Date), the Litigation Trustee (if after the Plan Implementation Date) and counsel to the Ontario Class Action Plaintiffs (if the plaintiffs in any of the Class Actions are affected by the applicable Named Third Party Defendant Settlement).

**“Named Third Party Defendant Release”** means a release of any applicable Named Third Party Defendant agreed to pursuant to a Named Third Party Defendant Settlement and approved pursuant to a Named Third Party Defendant Settlement Order, provided that such release must be acceptable to SFC (if on or prior to the Plan Implementation Date), the Monitor, the Initial Consenting Noteholders (if on or prior to the Plan Implementation Date) and the Litigation Trustee (if after the Plan Implementation Date), and provided further that such release shall not affect the plaintiffs in the Class Actions without the consent of counsel to the Ontario Class Action Plaintiffs.

**“Named Third Party Defendants”** means the Third Party Defendants listed on Schedule “A” to the Plan in accordance with section 11.2(a) hereof, provided that only Eligible Third Party Defendants may become Named Third Party Defendants.

**“Newco”** means the new corporation to be incorporated pursuant to section 6.2(a) hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

**“Newco II”** means the new corporation to be incorporated pursuant to section 6.2(b) hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

**“Newco II Consideration”** has the meaning ascribed thereto in section 6.4(x) hereof.

**“Newco Equity Pool”** means all of the Newco Shares to be issued by Newco on the Plan Implementation Date. The number of Newco Shares to be issued on the Plan Implementation Date shall be agreed by SFC, the Monitor and the Initial Consenting Noteholders prior to the Plan Implementation Date.

**“Newco Note Certificate”** means a certificate evidencing Newco Notes.

**“Newco Notes”** means the new notes to be issued by Newco on the Plan Implementation Date in the aggregate principal amount of \$300,000,000, on such terms and conditions as are satisfactory to the Initial Consenting Noteholders and SFC, acting reasonably.

**“Newco Promissory Note 1”**, **“Newco Promissory Note 2”**, **“Newco Promissory Note 3”** and **“Newco Promissory Notes”** have the meanings ascribed thereto in sections 6.4(k), 6.4(m), 6.4(n) and 6.4(q) hereof, respectively.

**“Newco Share Certificate”** means a certificate evidencing Newco Shares.



**"Newco Shares"** means common shares in the capital of Newco.

**"Non-Released D&O Claims"** has the meaning ascribed thereto in section 4.9(f) hereof.

**"Noteholder Advisors"** means Goodmans LLP, Hogan Lovells and Conyers, Dill & Pearman LLP in their capacity as legal advisors to the Initial Consenting Noteholders, and Moelis & Company LLC and Moelis and Company Asia Limited, in their capacity as the financial advisors to the Initial Consenting Noteholders.

**"Noteholder Claim"** means any Claim by a Noteholder (or a Trustee or other representative on the Noteholder's behalf) in respect of or in relation to the Notes owned or held by such Noteholder, including all principal and Accrued Interest payable to such Noteholder pursuant to such Notes or the Note Indentures, but for greater certainty does not include any Noteholder Class Action Claim.

**"Noteholder Class Action Claim"** means any Class Action Claim, or any part thereof, against SFC, any of the Subsidiaries, any of the Directors and Officers of SFC or the Subsidiaries, any of the Auditors, any of the Underwriters and/or any other defendant to the Class Action Claims that relates to the purchase, sale or ownership of Notes, but for greater certainty does not include a Noteholder Claim.

**"Noteholder Class Action Claimant"** means any Person having or asserting a Noteholder Class Action Claim.

**"Noteholder Class Action Representative"** means an individual to be appointed by counsel to the Ontario Class Action Plaintiffs.

**"Noteholders"** means, collectively, the beneficial owners of Notes as of the Distribution Record Date and, as the context requires, the registered holders of Notes as of the Distribution Record Date, and **"Noteholder"** means any one of the Noteholders.

**"Note Indentures"** means, collectively, the 2013 Note Indenture, the 2014 Note Indenture, the 2016 Note Indenture and the 2017 Note Indenture.

**"Notes"** means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes and the 2017 Notes.

**"Officer"** means, with respect to SFC or any Subsidiary, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of such SFC Company.

**"Ontario Class Action Plaintiffs"** means the plaintiffs in the Ontario class action case styled as *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP).

**"Order"** means any order of the Court made in connection with the CCAA Proceeding or this Plan.

**“Ordinary Affected Creditor”** means a Person with an Ordinary Affected Creditor Claim.

**“Ordinary Affected Creditor Claim”** means a Claim that is not: an Unaffected Claim; a Noteholder Claim; an Equity Claim; a Subsidiary Intercompany Claim; a Noteholder Class Action Claim; or a Class Action Indemnity Claim (other than a Class Action Indemnity Claim by any of the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims).

**“Other Directors and/or Officers”** means any Directors and/or Officers other than the Named Directors and Officers.

**“Permitted Continuing Retainer”** has the meaning ascribed thereto in section 6.4(d) hereof.

**“Person”** means any individual, sole proprietorship, limited or unlimited liability corporation, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, body corporate, joint venture, trust, pension fund, union, Governmental Entity, and a natural person including in such person’s capacity as trustee, heir, beneficiary, executor, administrator or other legal representative.

**“Plan”** means this Plan of Compromise and Reorganization (including all schedules hereto) filed by SFC pursuant to the CCAA and the CBCA, as it may be further amended, supplemented or restated from time to time in accordance with the terms hereof or an Order.

**“Plan Implementation Date”** means the Business Day on which this Plan becomes effective, which shall be the Business Day on which the Monitor has filed with the Court the certificate contemplated in section 9.2 hereof, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

**“PRC”** means the People’s Republic of China.

**“Proof of Claim”** means the “Proof of Claim” referred to in the Claims Procedure Order, substantially in the form attached to the Claims Procedure Order.

**“Pro-Rata”** means:

- (a) with respect to any Noteholder in relation to all Noteholders, the proportion of (i) the principal amount of Notes beneficially owned by such Noteholder as of the Distribution Record Date plus the Accrued Interest owing on such Notes as of the Filing Date, in relation to (ii) the aggregate principal amount of all Notes outstanding as of the Distribution Record Date plus the aggregate of all Accrued Interest owing on all Notes as of the Filing Date;
- (b) with respect to any Early Consent Noteholder in relation to all Early Consent Noteholders, the proportion of the principal amount of Early Consent Notes beneficially owned by such Early Consent Noteholder as of the Distribution Record Date in relation to the aggregate principal amount of Early Consent Notes held by all Early Consent Noteholders as of the Distribution Record Date; and

- (c) with respect to any Affected Creditor in relation to all Affected Creditors, the proportion of such Affected Creditor's Affected Creditor Claim as at any relevant time in relation to the aggregate of all Proven Claims and Unresolved Claims of Affected Creditors as at that time.

**"Proven Claim"** means an Affected Creditor Claim to the extent that such Affected Creditor Claim is finally determined and valued in accordance with the provisions of the Claims Procedure Order, the Meeting Order or any other Order, as applicable.

**"Released Claims"** means all of the rights, claims and liabilities of any kind released pursuant to Article 7 hereof.

**"Released Parties"** means, collectively, those Persons released pursuant to Article 7 hereof, but only to the extent so released, and each such Person is referred to individually as a **"Released Party"**.

**"Required Majority"** means a majority in number of Affected Creditors with Proven Claims, and two-thirds in value of the Proven Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting.

**"Remaining Post-Implementation Reserve Amount"** has the meaning ascribed thereto in section 5.7(b) hereof.

**"Restructuring Claim"** means any right or claim of any Person that may be asserted or made in whole or in part against SFC, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of the Claims Procedure Order.

**"Restructuring Transaction"** means the transactions contemplated by this Plan (including any Alternative Sale Transaction that occurs pursuant to section 10.1 hereof).

**"RSA"** means the Restructuring Support Agreement executed as of March 30, 2012 by SFC, the Direct Subsidiaries and the Initial Consenting Noteholders, and subsequently executed or otherwise agreed to by the Early Consent Noteholders, as such Restructuring Support Agreement may be amended, restated and varied from time to time in accordance with its terms.

**"Sanction Date"** means the date that the Sanction Order is granted by the Court.

**"Sanction Order"** means the Order of the Court sanctioning and approving this Plan.

**"Section 5.1(2) D&O Claim"** means any D&O Claim that is not permitted to be compromised pursuant to section 5.1(2) of the CCAA, but only to the extent not so permitted, provided that any D&O Claim that qualifies as a Non-Released D&O Claim or a Continuing Other D&O Claim shall not constitute a Section 5.1(2) D&O Claim.

**"Settlement Trust"** has the meaning ascribed thereto in section 11.1(a) hereof.

**“Settlement Trust Order”** means a court order that establishes the Settlement Trust and approves the Ernst & Young Settlement and the Ernst & Young Release, in form and in substance satisfactory to Ernst & Young and counsel to the Ontario Class Action Plaintiffs, provided that such order shall also be acceptable to SFC (if occurring on or prior to the Plan Implementation Date), the Monitor and the Initial Consenting Noteholders, as applicable, to the extent, if any, that such order affects SFC, the Monitor or the Initial Consenting Noteholders, each acting reasonably.

**“SFC”** has the meaning ascribed thereto in the recitals.

**“SFC Advisors”** means Bennett Jones LLP, Appleby Global Group, King & Wood Mallesons and Linklaters LLP, in their respective capacities as legal advisors to SFC, and Houlihan Lokey Howard & Zukin Capital, Inc., in its capacity as financial advisor to SFC.

**“SFC Assets”** means all of SFC’s right, title and interest in and to all of SFC’s properties, assets and rights of every kind and description (including all restricted and unrestricted cash, contracts, real property, receivables or other debts owed to SFC, Intellectual Property, SFC’s corporate name and all related marks, all of SFC’s ownership interests in the Subsidiaries (including all of the shares of the Direct Subsidiaries and any other Subsidiaries that are directly owned by SFC immediately prior to the Effective Time), all of SFC’s ownership interest in Greenheart and its subsidiaries, all SFC Intercompany Claims, any entitlement of SFC to any insurance proceeds and a right to the Remaining Post-Implementation Reserve Amount), other than the Excluded SFC Assets.

**“SFC Barbados”** means Sino-Forest International (Barbados) Corporation, a wholly-owned subsidiary of SFC established under the laws of Barbados.

**“SFC Business”** means the business operated by the SFC Companies.

**“SFC Continuing Shareholder”** means the Litigation Trustee or such other Person as may be agreed to by the Monitor and the Initial Consenting Noteholders.

**“SFC Companies”** means, collectively, SFC and all of the Subsidiaries, and **“SFC Company”** means any of them.

**“SFC Escrow Co.”** means the company to be incorporated as a wholly-owned subsidiary of SFC pursuant to section 6.3 hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

**“SFC Escrow Co. Share”** has the meaning ascribed thereto in section 6.3 hereof.

**“SFC Intercompany Claim”** means any amount owing to SFC by any Subsidiary or Greenheart and any claim by SFC against any Subsidiary or Greenheart.

**“Subsidiaries”** means all direct and indirect subsidiaries of SFC, other than (i) Greenheart and its direct and indirect subsidiaries and (ii) SFC Escrow Co., and **“Subsidiary”** means any one of the Subsidiaries.

**“Subsidiary Intercompany Claim”** means any Claim by any Subsidiary or Greenheart against SFC.

**“Tax”** or **“Taxes”** means any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence, franchise and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions, together with all interest, penalties, fines and additions with respect to such amounts.

**“Taxing Authorities”** means any one of Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, any similar revenue or taxing authority of the United States, the PRC, Hong Kong or other foreign state and any political subdivision thereof, and any Canadian, United States, Hong Kong, PRC or other government, regulatory authority, government department, agency, commission, bureau, minister, court, tribunal or body or regulation-making entity exercising taxing authority or power, and **“Taxing Authority”** means any one of the Taxing Authorities.

**“Third Party Defendants”** means any defendants to the Class Action Claims (present or future) other than SFC, the Subsidiaries, the Named Directors and Officers or the Trustees.

**“Transfer Agent”** means Computershare Limited (or a subsidiary or affiliate thereof) or such other transfer agent as Newco may appoint, with the prior written consent of the Monitor and the Initial Consenting Noteholders.

**“Trustee Claims”** means any rights or claims of the Trustees against SFC under the Note Indentures for compensation, fees, expenses, disbursements or advances, including reasonable legal fees and expenses, incurred or made by or on behalf of the Trustees before or after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan.

**“Trustees”** means, collectively, The Bank of New York Mellon in its capacity as trustee for the 2013 Notes and the 2016 Notes, and Law Debenture Trust Company of New York in its capacity as trustee for the 2014 Notes and the 2017 Notes, and **“Trustee”** means either one of them.

**“Unaffected Claim”** means any:

- (a) Claim secured by the Administration Charge;
- (b) Government Priority Claim;
- (c) Employee Priority Claim;

- (d) Lien Claim;
- (e) any other Claim of any employee, former employee, Director or Officer of SFC in respect of wages, vacation pay, bonuses, termination pay, severance pay or other remuneration payable to such Person by SFC, other than any termination pay or severance pay payable by SFC to a Person who ceased to be an employee, Director or Officer of SFC prior to the date of this Plan;
- (f) Trustee Claims; and
- (g) any trade payables that were incurred by SFC (i) after the Filing Date but before the Plan Implementation Date; and (ii) in compliance with the Initial Order or other Order issued in the CCAA Proceeding.

**“Unaffected Claims Reserve”** means the cash reserve to be established by SFC on the Plan Implementation Date and maintained by the Monitor, in escrow, for the purpose of paying certain Unaffected Claims in accordance with section 4.2 hereof.

**“Unaffected Creditor”** means a Person who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim.

**“Undeliverable Distribution”** has the meaning ascribed thereto in section 5.4.

**“Underwriters”** means any underwriters of SFC that are named as defendants in the Class Action Claims, including for greater certainty Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (successor by merger to Banc of America Securities LLC).

**“Unresolved Claim”** means an Affected Creditor Claim in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the Claims Procedure Order but that, as at any applicable time, has not been finally (i) determined to be a Proven Claim or (ii) disallowed in accordance with the Claims Procedure Order, the Meeting Order or any other Order.

**“Unresolved Claims Escrow Agent”** means SFC Escrow Co. or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders.

**“Unresolved Claims Reserve”** means the reserve of Newco Shares, Newco Notes and Litigation Trust Interests, if any, to be established pursuant to sections 6.4(h)(ii) and 6.4(r) hereof in respect of Unresolved Claims as at the Plan Implementation Date, which reserve shall be held and maintained by the Unresolved Claims Escrow Agent, in escrow, for distribution in accordance with the Plan. As at the Plan Implementation Date, the Unresolved Claims Reserve will consist of that amount of Newco Shares, Newco Notes and Litigation Trust Interests as is necessary to make any potential distributions under the Plan in respect of the following Unresolved Claims: (i) Class Action Indemnity Claims in an amount up to the Indemnified Noteholder Class Action Limit; (ii) Claims in respect of Defence Costs in the amount of \$30 million or such other amount

as may be agreed by the Monitor and the Initial Consenting Noteholders; and (iii) other Affected Creditor Claims that have been identified by the Monitor as Unresolved Claims in an amount up to \$500,000 or such other amount as may be agreed by the Monitor and the Initial Consenting Noteholders.

“Website” means the website maintained by the Monitor in respect of the CCAA Proceeding pursuant to the Initial Order at the following web address: <http://cfcanda.fticonsulting.com/sfc>.

## 1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to an Order, agreement, contract, instrument, indenture, release, exhibit or other document means such Order, agreement, contract, instrument, indenture, release, exhibit or other document as it may have been or may be validly amended, modified or supplemented;
- (b) the division of the Plan into “articles” and “sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “articles” and “sections” intended as complete or accurate descriptions of the content thereof;
- (c) unless the context otherwise requires, words importing the singular shall include the plural and *vice versa*, and words importing any gender shall include all genders;
- (d) the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (e) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;
- (f) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (g) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time

to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

- (h) references to a specified "article" or "section" shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms "the Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to the Plan and not to any particular "article", "section" or other portion of the Plan and include any documents supplemental hereto.

### **1.3 Currency**

For the purposes of this Plan, all amounts shall be denominated in Canadian dollars and all payments and distributions to be made in cash shall be made in Canadian dollars. Any Claims or other amounts denominated in a foreign currency shall be converted to Canadian dollars at the Reuters closing rate on the Filing Date.

### **1.4 Successors and Assigns**

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Plan.

### **1.5 Governing Law**

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the jurisdiction of the Court.

### **1.6 Schedule "A"**

Schedule "A" to the Plan is incorporated by reference into the Plan and forms part of the Plan.

## **ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN**

### **2.1 Purpose**

The purpose of the Plan is:

- (a) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all Affected Claims;
- (b) to effect the distribution of the consideration provided for herein in respect of Proven Claims;



- (c) to transfer ownership of the SFC Business to Newco and then from Newco to Newco II, in each case free and clear of all claims against SFC and certain related claims against the Subsidiaries, so as to enable the SFC Business to continue on a viable, going concern basis; and
- (d) to allow Affected Creditors and Noteholder Class Action Claimants to benefit from contingent value that may be derived from litigation claims to be advanced by the Litigation Trustee.

The Plan is put forward in the expectation that the Persons with an economic interest in SFC, when considered as a whole, will derive a greater benefit from the implementation of the Plan and the continuation of the SFC Business as a going concern than would result from a bankruptcy or liquidation of SFC.

## **2.2 Claims Affected**

The Plan provides for, among other things, the full, final and irrevocable compromise, release, discharge, cancellation and bar of Affected Claims and effectuates the restructuring of SFC. The Plan will become effective at the Effective Time on the Plan Implementation Date, other than such matters occurring on the Equity Cancellation Date (if the Equity Cancellation date does not occur on the Plan Implementation Date) which will occur and be effective on such date, and the Plan shall be binding on and enure to the benefit of SFC, the Subsidiaries, Newco, Newco II, SFC Escrow Co., any Person having an Affected Claim, the Directors and Officers of SFC and all other Persons named or referred to in, or subject to, the Plan, as and to the extent provided for in the Plan.

## **2.3 Unaffected Claims against SFC Not Affected**

Any amounts properly owing by SFC in respect of Unaffected Claims will be satisfied in accordance with section 4.2 hereof. Consistent with the foregoing, all liabilities of the Released Parties in respect of Unaffected Claims (other than the obligation of SFC to satisfy such Unaffected Claims in accordance with section 4.2 hereof) will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred pursuant to Article 7 hereof. Nothing in the Plan shall affect SFC's rights and defences, both legal and equitable, with respect to any Unaffected Claims, including all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

## **2.4 Insurance**

- (a) Subject to the terms of this section 2.4, nothing in this Plan shall prejudice, compromise, release, discharge, cancel, bar or otherwise affect any right, entitlement or claim of any Person against SFC or any Director or Officer, or any insurer, in respect of an Insurance Policy or the proceeds thereof.
- (b) Nothing in this Plan shall prejudice, compromise, release or otherwise affect any right or defence of any such insurer in respect of any such Insurance Policy. Furthermore, nothing in this Plan shall prejudice, compromise, release or otherwise affect (i) any right of subrogation any such insurer may have against

any Person, including against any Director or Officer in the event of a determination of fraud against SFC or any Director or Officer in respect of whom such a determination is specifically made, and /or (ii) the ability of such insurer to claim repayment of Defense Costs (as defined in any such policy) from SFC and/or any Director or Officer in the event that the party from whom repayment is sought is not entitled to coverage under the terms and conditions of any such Insurance Policy

- (c) Notwithstanding anything herein (including section 2.4(b) and the releases and injunctions set forth in Article 7 hereof), but subject to section 2.4(d) hereof, all Insured Claims shall be deemed to remain outstanding and are not released following the Plan Implementation Date, but recovery as against SFC and the Named Directors and Officers is limited only to proceeds of Insurance Policies that are available to pay such Insured Claims, either by way of judgment or settlement. SFC and the Directors or Officers shall make all reasonable efforts to meet all obligations under the Insurance Policies. The insurers agree and acknowledge that they shall be obliged to pay any Loss payable pursuant to the terms and conditions of their respective Insurance Policies notwithstanding the releases granted to SFC and the Named Directors and Officers under this Plan, and that they shall not rely on any provisions of the Insurance Policies to argue, or otherwise assert, that such releases excuse them from, or relieve them of, the obligation to pay Loss that otherwise would be payable under the terms of the Insurance Policies. For greater certainty, the insurers agree and consent to a direct right of action against the insurers, or any of them, in favour of any plaintiff who or which has (a) negotiated a settlement of any Claim covered under any of the Insurance Policies, which settlement has been consented to in writing by the insurers or such of them as may be required or (b) obtained a final judgment against one or more of SFC and/or the Directors or Officers which such plaintiff asserts, in whole or in part, represents Loss covered under the Insurance Policies, notwithstanding that such plaintiff is not a named insured under the Insurance Policies and that neither SFC nor the Directors or Officers are parties to such action.
- (d) Notwithstanding anything in this section 2.4, from and after the Plan Implementation Date, any Person having an Insured Claim shall, as against SFC and the Named Directors and Officers, be irrevocably limited to recovery solely from the proceeds of the Insurance Policies paid or payable on behalf of SFC or its Directors or Officers, and Persons with any Insured Claims shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries from SFC, any of the Named Directors and Officers, any of the Subsidiaries, Newco or Newco II, other than enforcing such Person's rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s), and this section 2.4(d) may be relied upon and raised or pled by SFC, Newco, Newco II, any Subsidiary and any Named Director and Officer in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this section

## **2.5 Claims Procedure Order**

For greater certainty, nothing in this Plan revives or restores any right or claim of any kind that is barred or extinguished pursuant to the terms of the Claims Procedure Order, provided that nothing in this Plan, the Claims Procedure Order or any other Order compromises, releases, discharges, cancels or bars any claim against any Person for fraud or criminal conduct, regardless of whether or not any such claim has been asserted to date.

## **ARTICLE 3 CLASSIFICATION, VOTING AND RELATED MATTERS**

### **3.1 Claims Procedure**

The procedure for determining the validity and quantum of the Affected Claims shall be governed by the Claims Procedure Order, the Meeting Order, the CCAA, the Plan and any other Order, as applicable. SFC, the Monitor and any other creditor in respect of its own Claim, shall have the right to seek the assistance of the Court in valuing any Claim, whether for voting or distribution purposes, if required, and to ascertain the result of any vote on the Plan.

### **3.2 Classification**

- (a) The Affected Creditors shall constitute a single class, the “**Affected Creditors Class**”, for the purposes of considering and voting on the Plan.
- (b) The Equity Claimants shall constitute a single class, separate from the Affected Creditors Class, but shall not, and shall have no right to, attend the Meeting or vote on the Plan in such capacity.

### **3.3 Unaffected Creditors**

No Unaffected Creditor, in respect of an Unaffected Claim, shall:

- (a) be entitled to vote on the Plan;
- (b) be entitled to attend the Meeting; or
- (c) receive any entitlements under this Plan in respect of such Unaffected Creditor’s Unaffected Claims (other than its right to have its Unaffected Claim addressed in accordance with section 4.2 hereof).

### **3.4 Creditors’ Meeting**

The Meeting shall be held in accordance with the Plan, the Meeting Order and any further Order of the Court. The only Persons entitled to attend and vote on the Plan at the Meeting are those specified in the Meeting Order.

### **3.5 Approval by Creditors**

In order to be approved, the Plan must receive the affirmative vote of the Required Majority of the Affected Creditors Class.

## **ARTICLE 4 DISTRIBUTIONS, PAYMENTS AND TREATMENT OF CLAIMS**

### **4.1 Affected Creditors**

All Affected Creditor Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Each Affected Creditor that has a Proven Claim shall be entitled to receive the following in accordance with the Plan:

- (a) such Affected Creditor's Pro-Rata number of the Newco Shares to be issued by Newco from the Affected Creditors Equity Sub-Pool in accordance with the Plan;
- (b) such Affected Creditor's Pro-Rata amount of the Newco Notes to be issued by Newco in accordance with the Plan; and
- (c) such Affected Creditor's Pro-Rata share of the Litigation Trust Interests to be allocated to the Affected Creditors in accordance with 4.11 hereof and the terms of the Litigation Trust.

From and after the Plan Implementation Date, each Affected Creditor, in such capacity, shall have no rights as against SFC in respect of its Affected Creditor Claim.

### **4.2 Unaffected Creditors**

Each Unaffected Claim that is finally determined as such, as to status and amount, and that is finally determined to be valid and enforceable against SFC, in each case in accordance with the Claims Procedure Order or other Order:

- (a) subject to sections 4.2(b) and 4.2(c) hereof, shall be paid in full from the Unaffected Claims Reserve and limited to recovery against the Unaffected Claims Reserve, and Persons with Unaffected Claims shall have no right to, and shall not, make any claim or seek any recoveries from any Person in respect of Unaffected Claims, other than enforcing such Person's right against SFC to be paid from the Unaffected Claims Reserve;
- (b) in the case of Claims secured by the Administration Charge:
  - (i) if billed or invoiced to SFC prior to the Plan Implementation Date, such Claims shall be paid by SFC in accordance with section 6.4(d) hereof; and
  - (ii) if billed or invoiced to SFC on or after the Plan Implementation Date, such Claims shall be paid from the Administration Charge Reserve, and all such

Claims shall be limited to recovery against the Administration Charge Reserve, and any Person with such Claims shall have no right to, and shall not, make any claim or seek any recoveries from any Person in respect of such Claims, other than enforcing such Person's right against the Administration Charge Reserve; and

- (c) in the case of Lien Claims:
  - (i) at the election of the Initial Consenting Noteholders, and with the consent of the Monitor, SFC shall satisfy such Lien Claim by the return of the applicable property of SFC that is secured as collateral for such Lien Claim, and the applicable Lien Claimant shall be limited to its recovery against such secured property in respect of such Lien Claim.
  - (ii) if the Initial Consenting Noteholders do not elect to satisfy such Lien Claim by the return of the applicable secured property: (A) SFC shall repay the Lien Claim in full in cash on the Plan Implementation Date; and (B) the security held by the applicable Lien Claimant over the property of SFC shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred; and
  - (iii) upon the satisfaction of a Lien Claim in accordance with sections 4.2(c)(i) or 4.2(c)(ii) hereof, such Lien Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred.

#### **4.3 Early Consent Noteholders**

As additional consideration for the compromise, release, discharge, cancellation and bar of the Affected Creditor Claims in respect of its Notes, each Early Consent Noteholder shall receive (in addition to the consideration it is entitled to receive in accordance with section 4.1 hereof) its Pro-Rata number of the Newco Shares to be issued by Newco from the Early Consent Equity Sub-Pool in accordance with the Plan.

#### **4.4 Noteholder Class Action Claimants**

- (a) All Noteholder Class Action Claims against SFC, the Subsidiaries or the Named Directors or Officers (other than any Noteholder Class Action Claims against the Named Directors or Officers that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration as against all said Persons on the Plan Implementation Date. Subject to section 4.4(f) hereof, Noteholder Class Action Claimants shall not receive any consideration or distributions under the Plan in respect of their Noteholder Class Action Claims. Noteholder Class Action Claimants shall not be entitled to attend or to vote on the Plan at the Meeting in respect of their Noteholder Class Action Claims.

- (b) Notwithstanding anything to the contrary in section 4.4(a), Noteholder Class Action Claims as against the Third Party Defendants (x) are not compromised, discharged, released, cancelled or barred, (y) shall be permitted to continue as against the Third Party Defendants and (z) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for such Noteholder Class Action Claims that relates to any liability of the Third Party Defendants for any alleged liability of SFC), provided that:
- (i) in accordance with the releases set forth in Article 7 hereof, the collective aggregate amount of all rights and claims asserted or that may be asserted against the Third Party Defendants in respect of any such Noteholder Class Action Claims for which any such Persons in each case have a valid and enforceable Class Action Indemnity Claim against SFC (the "**Indemnified Noteholder Class Action Claims**") shall not exceed, in the aggregate, the Indemnified Noteholder Class Action Limit, and in accordance with section 7.3 hereof, all Persons shall be permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, from seeking to enforce any liability in respect of the Indemnified Noteholder Class Action Claims that exceeds the Indemnified Noteholder Class Action Limit;
  - (ii) subject to section 4.4(g), any Class Action Indemnity Claims against SFC by the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims shall be treated as Affected Creditor Claims against SFC, but only to the extent that any such Class Action Indemnity Claims that are determined to be properly indemnified by SFC, enforceable against SFC and are not barred or extinguished by the Claims Procedure Order, and further provided that the aggregate liability of SFC in respect of all such Class Action Indemnity Claims shall be limited to the lesser of: (A) the actual aggregate liability of the Third Party Defendants pursuant to any final judgment, settlement or other binding resolution in respect of the Indemnified Noteholder Class Action Claims; and (B) the Indemnified Noteholder Class Action Limit; and
  - (iii) for greater certainty, in the event that any Third Party Defendant is found to be liable for or agrees to a settlement in respect of a Noteholder Class Action Claim (other than a Noteholder Class Action Claim for fraud or criminal conduct) and such amounts are paid by or on behalf of the applicable Third Party Defendant, then the amount of the Indemnified Noteholder Class Action Limit applicable to the remaining Third Party Defendants shall be reduced by the amount paid in respect of such Noteholder Class Action Claim, as applicable.
- (c) Subject to section 7.1(o), the Claims of the Underwriters for indemnification in respect of any Noteholder Class Action Claims (other than Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) shall, for purposes of the Plan, be deemed to be valid and enforceable Class Action

Indemnity Claims against SFC (as limited pursuant to section 4.4(b) hereof), provided that: (i) the Underwriters shall not be entitled to receive any distributions of any kind under the Plan in respect of such Claims; (ii) such Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date; and (iii) the amount of such Claims shall not affect the calculation of any Pro-Rata entitlements of the Affected Creditors under this Plan. For greater certainty, to the extent of any conflict with respect to the Underwriters between section 4.4(e) hereof and this section 4.4(c), this section 4.4(c) shall prevail.

- (d) Subject to section 7.1(m), any and all indemnification rights and entitlements of Ernst & Young at common law and any and all indemnification agreements between Ernst & Young and SFC shall be deemed to be valid and enforceable in accordance with their terms for the purpose of determining whether the Claims of Ernst & Young for indemnification in respect of Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) hereof. With respect to Claims of Ernst & Young for indemnification in respect of Noteholder Class Action Claims that are valid and enforceable: (i) Ernst & Young shall not be entitled to receive any distributions of any kind under the Plan in respect of such Claims; (ii) such Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date; and (iii) the amount of such Claims shall not affect the calculation of any Pro-Rata entitlements of the Affected Creditors under this Plan.
- (e) Subject to section 7.1(n), any and all indemnification rights and entitlements of the Named Third Party Defendants at common law and any and all indemnification agreements between the Named Third Party Defendants and SFC shall be deemed to be valid and enforceable in accordance with their terms for the purpose of determining whether the Claims of the Named Third Party Defendants for indemnification in respect of Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) hereof. With respect to Claims of the Named Third Party Defendants for indemnification in respect of Noteholder Class Action Claims that are valid and enforceable: (i) the Named Third Party Defendants shall not be entitled to receive any distributions of any kind under the Plan in respect of such Claims; (ii) such Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date; and (iii) the amount of such Claims shall not affect the calculation of any Pro-Rata entitlements of the Affected Creditors under this Plan.
- (f) Each Noteholder Class Action Claimant shall be entitled to receive its share of the Litigation Trust Interests to be allocated to Noteholder Class Action Claimants in accordance with the terms of the Litigation Trust and section 4.11 hereof, as such Noteholder Class Action Claimant's share is determined by the applicable Class Action Court.

- (g) Nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that Class Action Indemnity Claims in respect of Noteholder Class Action Claims or any other Claims of the Third Party Defendants should receive the same or similar treatment as is afforded to Class Action Indemnity Claims in respect of Equity Claims under the terms of this Plan.

#### **4.5 Equity Claimants**

All Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Equity Claimants shall not receive any consideration or distributions under the Plan and shall not be entitled to vote on the Plan at the Meeting.

#### **4.6 Claims of the Trustees and Noteholders**

For purposes of this Plan, all claims filed by the Trustees in respect of the Noteholder Claims (other than any Trustee Claims) shall be treated as provided in section 4.1 and the Trustees and the Noteholders shall have no other entitlements in respect of the guarantees and share pledges that have been provided by the Subsidiaries, or any of them, all of which shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date as against the Subsidiaries pursuant to Article 7 hereof.

#### **4.7 Claims of the Third Party Defendants**

For purposes of this Plan, all claims filed by the Third Party Defendants against SFC and/or any of its Subsidiaries shall be treated as follows:

- (a) all such claims against the Subsidiaries shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date in accordance with Article 7 hereof;
- (b) all such claims against SFC that are Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims shall be treated as set out in section 4.4(b)(ii) hereof;
- (c) all such claims against SFC for indemnification of Defence Costs shall be treated in accordance with section 4.8 hereof; and
- (d) all other claims shall be treated as Equity Claims.

#### **4.8 Defence Costs**

All Claims against SFC for indemnification of defence costs incurred by any Person (other than a Named Director or Officer) in connection with defending against Shareholder Claims (as defined in the Equity Claims Order), Noteholder Class Action Claims or any other



claims of any kind relating to SFC or the Subsidiaries (“**Defence Costs**”) shall be treated as follows:

- (a) as Equity Claims to the extent they are determined to be Equity Claims under any Order; and
- (b) as Affected Creditor Claims to the extent that they are not determined to be Equity Claims under any Order, provided that:
  - (i) if such Defence Costs were incurred in respect of a claim against the applicable Person that has been successfully defended and the Claim for such Defence Costs is otherwise valid and enforceable against SFC, the Claim for such Defence Costs shall be treated as a Proven Claim, provided that if such Claim for Defence Costs is a Class Action Indemnity Claim of a Third Party Defendant against SFC in respect of any Indemnified Noteholder Class Action Claim, such Claim for Defence Costs shall be treated in the manner set forth in section 4.4(b)(ii) hereof;
  - (ii) if such Defence Costs were incurred in respect of a claim against the applicable Person that has not been successfully defended or such Defence Costs are determined not to be valid and enforceable against SFC, the Claim for such Defence Costs shall be disallowed and no consideration will be payable in respect thereof under the Plan; and
  - (iii) until any such Claim for Defence Costs is determined to be either a Claim within section 4.8(b)(i) or a Claim within section 4.8(b)(ii), such Claim shall be treated as an Unresolved Claim,

provided that nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek an Order that Claims against SFC for indemnification of any Defence Costs should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan.

#### **4.9 D&O Claims**

- (a) All D&O Claims against the Named Directors and Officers (other than Section 5.1(2) D&O Claims, Conspiracy Claims and Non-Released D&O Claims) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date.
- (b) All D&O Claims against the Other Directors and/or Officers shall not be compromised, released, discharged, cancelled or barred by this Plan and shall be permitted to continue as against the applicable Other Directors and/or Officers (the “**Continuing Other D&O Claims**”), provided that any Indemnified Noteholder Class Action Claims against the Other Directors and/or Officers shall be limited as described in section 4.4(b)(i) hereof.

- (c) All D&O Indemnity Claims and any other rights or claims for indemnification held by the Named Directors and Officers shall be deemed to have no value and shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date.
- (d) All D&O Indemnity Claims and any other rights or claims for indemnification held by the Other Directors and/or Officers shall be deemed to have no value and shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date, except that: (i) any such D&O Indemnity Claims for Defence Costs shall be treated in accordance with section 4.8 hereof; and (ii) any Class Action Indemnity Claim of an Other Director and/or Officer against SFC in respect of the Indemnified Noteholder Class Action Claims shall be treated in the manner set forth in section 4.4(b)(ii) hereof.
- (e) All Section 5.1(2) D&O Claims and all Conspiracy Claims shall not be compromised, released, discharged, cancelled or barred by this Plan, provided that any Section 5.1(2) D&O Claims against Named Directors and Officers and any Conspiracy Claims against Named Directors and Officers shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person (including SFC, any of the Subsidiaries, Newco or Newco II), other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s).
- (f) All D&O Claims against the Directors and Officers of SFC or the Subsidiaries for fraud or criminal conduct shall not be compromised, discharged, released, cancelled or barred by this Plan and shall be permitted to continue as against all applicable Directors and Officers ("**Non-Released D&O Claims**").
- (g) Notwithstanding anything to the contrary herein, from and after the Plan Implementation Date, a Person may only commence an action for a Non-Released D&O Claim against a Named Director or Officer if such Person has first obtained (i) the consent of the Monitor or (ii) leave of the Court on notice to the applicable Directors and Officers, SFC, the Monitor, the Initial Consenting Noteholders and any applicable insurers. For the avoidance of doubt, the foregoing requirement for the consent of the Monitor or leave of the Court shall not apply to any Non-Released D&O Claim that is asserted against an Other Director and/or Officer.

#### 4.10 Intercompany Claims

All SFC Intercompany Claims (other than those transferred to SFC Barbados pursuant to section 6.4(j) hereof or set-off pursuant to section 6.4(l) hereof) shall be deemed to be assigned by SFC to Newco on the Plan Implementation Date pursuant to section 6.4(m) hereof, and shall

then be deemed to be assigned by Newco to Newco II pursuant to section 6.4(x) hereof. The obligations of SFC to the applicable Subsidiaries and Greenheart in respect of all Subsidiary Intercompany Claims (other than those set-off pursuant to section 6.4(l) hereof) shall be assumed by Newco on the Plan Implementation Date pursuant to 6.4(m) hereof, and then shall be assumed by Newco II pursuant to section 6.4(x) hereof. Notwithstanding anything to the contrary herein, Newco II shall be liable to the applicable Subsidiaries and Greenheart for such Subsidiary Intercompany Claims and SFC shall be released from such Subsidiary Intercompany Claims from and after the Plan Implementation Date, and the applicable Subsidiaries and Greenheart shall be liable to Newco II for such SFC Intercompany Claims from and after the Plan Implementation Date. For greater certainty, nothing in this Plan affects any rights or claims as between any of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries.

#### **4.11 Entitlement to Litigation Trust Interests**

- (a) The Litigation Trust Interests to be created in accordance with this Plan and the Litigation Trust shall be allocated as follows:
  - (i) the Affected Creditors shall be collectively entitled to 75% of such Litigation Trust Interests; and
  - (ii) the Noteholder Class Action Claimants shall be collectively entitled to 25% of such Litigation Trust Interests,

which allocations shall occur at the times and in the manner set forth in section 6.4 hereof and shall be recorded by the Litigation Trustee in its registry of Litigation Trust Interests.

- (b) Notwithstanding anything to the contrary in section 4.11(a) hereof, if any of the Noteholder Class Action Claims against any of the Third Party Defendants are finally resolved (whether by final judgment, settlement or any other binding means of resolution) within two years of the Plan Implementation Date, then the Litigation Trust Interests to which the applicable Noteholder Class Action Claimants would otherwise have been entitled in respect of such Noteholder Class Action Claims pursuant to section 4.11(a)(ii) hereof (based on the amount of such resolved Noteholder Class Action Claims in proportion to all Noteholder Class Action Claims in existence as of the Claims Bar Date) shall be fully, finally, irrevocably and forever cancelled.

#### **4.12 Litigation Trust Claims**

- (a) At any time prior to the Plan Implementation Date, SFC and the Initial Consenting Noteholders may agree to exclude one or more Causes of Action from the Litigation Trust Claims and/or to specify that any Causes of Action against a specified Person will not constitute Litigation Trust Claims ("**Excluded Litigation Trust Claims**"), in which case, any such Causes of Action shall not be transferred to the Litigation Trust on the Plan Implementation Date. Any such Excluded Litigation Trust Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan

Implementation Date in accordance with Article 7 hereof. All Affected Creditors shall be deemed to consent to such treatment of Excluded Litigation Trust Claims pursuant to this section 4.12(a).

- (b) All Causes of Action against the Underwriters by (i) SFC or (ii) the Trustees (on behalf of the Noteholders) shall be deemed to be Excluded Litigation Trust Claims that are fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date in accordance with Article 7 hereof, provided that, unless otherwise agreed by SFC and the Initial Consenting Noteholders prior to the Plan Implementation Date in accordance with section 4.12(a) hereof, any such Causes of Action for fraud or criminal conduct shall not constitute Excluded Litigation Trust Claims and shall be transferred to the Litigation Trust in accordance with section 6.4(o) hereof.
- (c) At any time from and after the Plan Implementation Date, and subject to the prior consent of the Initial Consenting Noteholders and the terms of the Litigation Trust Agreement, the Litigation Trustee shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, including a release that fully, finally, irrevocably and forever compromises, releases, discharges, cancels and bars the applicable Litigation Trust Claims as if they were Excluded Litigation Trust Claims released in accordance with Article 7 hereof. All Affected Creditors shall be deemed to consent to any such treatment of any Litigation Trust Claims pursuant to this section 4.12(b).

#### **4.13 Multiple Affected Claims**

On the Plan Implementation Date, any and all liabilities for and guarantees and indemnities of the payment or performance of any Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim by any of the Subsidiaries, and any purported liability for the payment or performance of such Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim by Newco or Newco II, will be deemed eliminated and cancelled, and no Person shall have any rights whatsoever to pursue or enforce any such liabilities for or guarantees or indemnities of the payment or performance of any such Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim against any Subsidiary, Newco or Newco II.

#### **4.14 Interest**

Subject to section 12.4 hereof, no holder of an Affected Claim shall be entitled to interest accruing on or after the Filing Date.

#### **4.15 Existing Shares**

Holders of Existing Shares and Equity Interests shall not receive any consideration or distributions under the Plan in respect thereof and shall not be entitled to vote on the Plan at the Meeting. Unless otherwise agreed between the Monitor, SFC and the Initial Consenting Noteholders, all Existing Shares and Equity Interests shall be fully, finally and irrevocably cancelled in accordance with and at the time specified in section 6.5 hereof.

#### **4.16 Canadian Exempt Plans**

If an Affected Creditor is a trust governed by a plan which is exempt from tax under Part I of the Canadian Tax Act (including, for example, a registered retirement savings plan), such Affected Creditor may make arrangements with Newco (if Newco so agrees) and the Litigation Trustee (if the Litigation Trustee so agrees) to have the Newco Shares, Newco Notes and Litigation Trust Interests to which it is entitled under this Plan directed to (or in the case of Litigation Trust Interests, registered in the name of ) an affiliate of such Affected Creditor or the annuitant or controlling person of the governing tax-deferred plan.

### **ARTICLE 5 DISTRIBUTION MECHANICS**

#### **5.1 Letters of Instruction**

In order to issue (i) Newco Shares and Newco Notes to Ordinary Affected Creditors and (ii) Newco Shares to Early Consent Noteholders, the following steps will be taken:

- (a) with respect to Ordinary Affected Creditors with Proven Claims or Unresolved Claims:
  - (i) on the next Business Day following the Distribution Record Date, the Monitor shall send blank Letters of Instruction by prepaid first class mail, courier, email or facsimile to each such Ordinary Affected Creditor to the address of each such Ordinary Affected Creditor (as specified in the applicable Proof of Claim) as of the Distribution Record Date, or as evidenced by any assignment or transfer in accordance with section 5.10;
  - (ii) each such Ordinary Affected Creditor shall deliver to the Monitor a duly completed and executed Letter of Instruction that must be received by the Monitor on or before the date that is seven (7) Business Days after the Distribution Record Date or such other date as the Monitor may determine; and
  - (iii) any such Ordinary Affected Creditor that does not return a Letter of Instruction to the Monitor in accordance with section 5.1(a)(ii) shall be deemed to have requested that such Ordinary Affected Creditor's Newco Shares and Newco Notes be registered or distributed, as applicable, in accordance with the information set out in such Ordinary Affected Creditor's Proof of Claim; and

- (b) with respect to Early Consent Noteholders:
- (i) on the next Business Day following the Distribution Record Date the Monitor shall send blank Letters of Instruction by prepaid first class mail, courier, email or facsimile to each Early Consent Noteholder to the address of each such Early Consent Noteholder as confirmed by the Monitor on or before the Distribution Record Date;
  - (ii) each Early Consent Noteholder shall deliver to the Monitor a duly completed and executed Letter of Instruction that must be received by the Monitor on or before the date that is seven (7) Business Days after the Distribution Record Date or such other date as the Monitor may determine; and
  - (iii) any such Early Consent Noteholder that does not return a Letter of Instruction to the Monitor in accordance with section 5.1(b)(ii) shall be deemed to have requested that such Early Consent Noteholder's Newco Shares be distributed or registered, as applicable, in accordance with information confirmed by the Monitor on or before the Distribution Record Date.

## **5.2 Distribution Mechanics with respect to Newco Shares and Newco Notes**

- (a) To effect distributions of Newco Shares and Newco Notes, the Monitor shall deliver a direction at least two (2) Business Days prior to the Initial Distribution Date to Newco or its agent, as applicable, directing Newco or its agent, as applicable, to issue on such Initial Distribution Date or subsequent Distribution Date:
- (i) in respect of the Ordinary Affected Creditors with Proven Claims:
    - (A) the number of Newco Shares that each such Ordinary Affected Creditor is entitled to receive in accordance with section 4.1(a) hereof; and
    - (B) the amount of Newco Notes that each such Ordinary Affected Creditor is entitled to receive in accordance with section 4.1(b) hereof,

all of which Newco Shares and Newco Notes shall be issued to such Ordinary Affected Creditors and distributed in accordance with this Article 5;
  - (ii) in respect of the Ordinary Affected Creditors with Unresolved Claims:
    - (A) the number of Newco Shares that each such Ordinary Affected Creditor would have been entitled to receive in accordance with section 4.1(a) hereof had such Ordinary Affected Creditor's

Unresolved Claim been a Proven Claim on the Plan Implementation Date; and

- (B) the amount of Newco Notes that each such Ordinary Affected Creditor would have been entitled to receive in accordance with section 4.1(b) hereof had such Ordinary Affected Creditor's Unresolved Claim been a Proven Claim on the Plan Implementation Date,

all of which Newco Shares and Newco Notes shall be issued in the name of the Unresolved Claims Escrow Agent for the benefit of the Persons entitled thereto under the Plan, which Newco Shares and Newco Notes shall comprise part of the Unresolved Claims Reserve and shall be held in escrow by the Unresolved Claims Escrow Agent until released and distributed in accordance with this Article 5;

- (iii) in respect of the Noteholders:

- (A) the number of Newco Shares that the Trustees are collectively required to receive such that, upon distribution to the Noteholders in accordance with this Article 5, each individual Noteholder receives the number of Newco Shares to which it is entitled in accordance with section 4.1(a) hereof; and
- (B) the amount of Newco Notes that the Trustees are collectively required to receive such that, upon distribution to the Noteholders in accordance with this Article 5, each individual Noteholder receives the amount of Newco Notes to which it is entitled in accordance with section 4.1(b) hereof,

all of which Newco Shares and Newco Notes shall be issued to such Noteholders and distributed in accordance with this Article 5; and

- (iv) in respect of Early Consent Noteholders, the number of Newco Shares that each such Early Consent Noteholder is entitled to receive in accordance with section 4.3 hereof, all of which Newco Shares shall be issued to such Early Consent Noteholders and distributed in accordance with this Article 5.

The direction delivered by the Monitor in respect of the applicable Ordinary Affected Creditors and Early Consent Noteholders shall: (A) indicate the registration and delivery details of each applicable Ordinary Affected Creditor and Early Consent Noteholder based on the information prescribed in section 5.1; and (B) specify the number of Newco Shares and, in the case of Ordinary Affected Creditors, the amount of Newco Notes to be issued to each such Person on the applicable Distribution Date. The direction delivered by the Monitor in respect of the Noteholders shall: (C) indicate that the registration and delivery details with respect to the number of Newco Shares and amount of Newco Notes

to be distributed to each Noteholder will be the same as the registration and delivery details in effect with respect to the Notes held by each Noteholder as of the Distribution Record Date; and (D) specify the number of Newco Shares and the amount of Newco Notes to be issued to each of the Trustees for purposes of satisfying the entitlements of the Noteholders set forth in sections 4.1(a) and 4.1(b) hereof. The direction delivered by the Monitor in respect of the Newco Shares and Newco Notes to be issued in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto under the Plan, for purposes of the Unresolved Claims Reserve shall specify the number of Newco Shares and the amount of Newco Notes to be issued in the name of the Unresolved Claims Escrow Agent for that purpose.

- (b) If the registers for the Newco Shares and/or Newco Notes are maintained by the Transfer Agent in a direct registration system (without certificates), the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall, on the Initial Distribution Date or any subsequent Distribution Date, as applicable:
  - (i) instruct the Transfer Agent to record, and the Transfer Agent shall record, in the Direct Registration Account of each applicable Ordinary Affected Creditor and each Early Consent Noteholder the number of Newco Shares and, in the case of Ordinary Affected Creditors, the amount of Newco Notes that are to be distributed to each such Person, and the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall send or cause to be sent to each such Ordinary Affected Creditor and Early Consent Noteholder a Direct Registration Transaction Advice based on the delivery information as determined pursuant to section 5.1; and
  - (ii) with respect to the distribution of Newco Shares and/or Newco Notes to Noteholders:
    - (A) if the Newco Shares and/or Newco Notes are DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall instruct the Transfer Agent to register, and the Transfer Agent shall register, the applicable Newco Shares and/or Newco Notes in the name of DTC (or its nominee) for the benefit of the Noteholders, and the Trustees shall provide their consent to DTC to the distribution of such Newco Shares and Newco Notes to the applicable Noteholders, in the applicable amounts, through the facilities of DTC in accordance with customary practices and procedures; and
    - (B) if the Newco Shares and/or Newco Notes are not DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall instruct the Transfer Agent to register the applicable Newco Shares and/or Newco Notes in the Direct Registration Accounts of the applicable Noteholders pursuant to the registration instructions obtained through DTC and the DTC



participants (by way of a letter of transmittal process or such other process as agreed by SFC, the Monitor, the Trustees and the Initial Consenting Noteholders), and the Transfer Agent shall (A) register such Newco Shares and/or Newco Notes, in the applicable amounts, in the Direct Registration Accounts of the applicable Noteholders; and (B) send or cause to be sent to each Noteholder a Direct Registration Transaction Advice in accordance with customary practices and procedures; provided that the Transfer Agent shall not be permitted to effect the foregoing registrations without the prior written consent of the Trustees.

- (c) If the registers for the Newco Shares and/or Newco Notes are not maintained by the Transfer Agent in a direct registration system, Newco shall prepare and deliver to the Monitor and/or the Unresolved Claims Escrow Agent, as applicable, and the Monitor and/or the Unresolved Claims Escrow Agent, as applicable, shall promptly thereafter, on the Initial Distribution Date or any subsequent Distribution Date, as applicable:
- (i) deliver to each Ordinary Affected Creditor and each Early Consent Noteholder Newco Share Certificates and, in the case of Ordinary Affected Creditors, Newco Note Certificates representing the applicable number of Newco Shares and the applicable amount of Newco Notes that are to be distributed to each such Person; and
  - (ii) with respect to the distribution of Newco Shares and/or Newco Notes to Noteholders:
    - (A) if the Newco Shares and/or Newco Notes are DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall distribute to DTC (or its nominee), for the benefit of the Noteholders, Newco Share Certificates and/or Newco Note Certificates representing the aggregate of all Newco Shares and Newco Notes to be distributed to the Noteholders on such Distribution Date, and the Trustees shall provide their consent to DTC to the distribution of such Newco Shares and Newco Notes to the applicable Noteholders, in the applicable amounts, through the facilities of DTC in accordance with customary practices and procedures; and
    - (B) if the Newco Shares and/or Newco Notes are not DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall distribute to the applicable Trustees, Newco Share Certificates and/or Newco Note Certificates representing the aggregate of all Newco Shares and/or Newco Notes to be distributed to the Noteholders on such Distribution Date, and the Trustees shall make delivery of such Newco Share Certificates and Newco Note Certificates, in the applicable

amounts, directly to the applicable Noteholders pursuant to the delivery instructions obtained through DTC and the DTC participants (by way of a letter of transmittal process or such other process as agreed by SFC, the Monitor, the Trustees and the Initial Consenting Noteholders), all of which shall occur in accordance with customary practices and procedures.

- (d) Upon receipt of and in accordance with written instructions from the Monitor, the Trustees shall instruct DTC to and DTC shall: (i) set up an escrow position representing the respective positions of the Noteholders as of the Distribution Record Date for the purpose of making distributions on the Initial Distribution Date and any subsequent Distribution Dates (the “**Distribution Escrow Position**”); and (ii) block any further trading of the Notes, effective as of the close of business on the day immediately preceding the Plan Implementation Date, all in accordance with DTC’s customary practices and procedures.
- (e) The Monitor, Newco, Newco II, the Trustees, SFC, the Named Directors and Officers and the Transfer Agent shall have no liability or obligation in respect of deliveries by DTC (or its nominee) to the DTC participants or the Noteholders pursuant to this Article 5.

### 5.3 Allocation of Litigation Trust Interests

The Litigation Trustee shall administer the Litigation Trust Claims and the Litigation Funding Amount for the benefit of the Persons that are entitled to the Litigation Trust Interests and shall maintain a registry of such Persons as follows:

- (a) with respect to Affected Creditors:
  - (i) the Litigation Trustee shall maintain a record of the amount of Litigation Trust Interests that each Ordinary Affected Creditor is entitled to receive in accordance with sections 4.1(c) and 4.11(a) hereof;
  - (ii) the Litigation Trustee shall maintain a record of the aggregate amount of all Litigation Trust Interests to which the Noteholders are collectively entitled in accordance with sections 4.1(c) and 4.11(a) hereof, and if cash is distributed from the Litigation Trust to Persons with Litigation Trust Interests, the amount of such cash that is payable to the Noteholders will be distributed through the Distribution Escrow Position (such that each beneficial Noteholder will receive a percentage of such cash distribution that is equal to its entitlement to Litigation Trust Interests (as set forth in section 4.1(c) hereof) as a percentage of all Litigation Trust Interests); and
  - (iii) with respect to any Litigation Trust Interests to be allocated in respect of the Unresolved Claims Reserve, the Litigation Trustee shall record such Litigation Trust Interests in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto in accordance with

this Plan, which shall be held by the Unresolved Claims Escrow Agent in escrow until released and distributed unless and until otherwise directed by the Monitor in accordance with this Plan;

- (b) with respect to the Noteholder Class Action Claimants, the Litigation Trustee shall maintain a record of the aggregate of all Litigation Trust Interests that the Noteholder Class Action Claimants are entitled to receive pursuant to sections 4.4(f) and 4.11(a) hereof, provided that such record shall be maintained in the name of the Noteholder Class Action Representative, to be allocated to individual Noteholder Class Action Claimants in any manner ordered by the applicable Class Action Court, and provided further that if any such Litigation Trust Interests are cancelled in accordance with section 4.11(b) hereof, the Litigation Trustee shall record such cancellation in its registry of Litigation Trust Interests.

#### **5.4 Treatment of Undeliverable Distributions**

If any distribution under section 5.2 or section 5.3 of Newco Shares, Newco Notes or Litigation Trust Interests is undeliverable (that is, for greater certainty, that it cannot be properly registered or delivered to the Applicable Affected Creditor because of inadequate or incorrect registration or delivery information or otherwise) (an “**Undeliverable Distribution**”), it shall be delivered to SFC Escrow Co., which shall hold such Undeliverable Distribution in escrow and administer it in accordance with this section 5.4. No further distributions in respect of an Undeliverable Distribution shall be made unless and until SFC and the Monitor are notified by the applicable Person of its current address and/or registration information, as applicable, at which time the Monitor shall direct SFC Escrow Co. to make all such distributions to such Person, and SFC Escrow Co. shall make all such distributions to such Person. All claims for Undeliverable Distributions must be made on or before the date that is six months following the final Distribution Date, after which date the right to receive distributions under this Plan in respect of such Undeliverable Distributions shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, without any compensation therefore, notwithstanding any federal, state or provincial laws to the contrary, at which time any such Undeliverable Distributions held by SFC Escrow Co. shall be deemed to have been gifted by the owner of the Undeliverable Distribution to Newco or the Litigation Trust, as applicable, without consideration, and, in the case of Newco Shares, Newco Notes and Litigation Trust Interests, shall be cancelled by Newco and the Litigation Trustee, as applicable. Nothing contained in the Plan shall require SFC, the Monitor, SFC Escrow Co. or any other Person to attempt to locate any owner of an Undeliverable Distribution. No interest is payable in respect of an Undeliverable Distribution. Any distribution under this Plan on account of the Notes, other than any distributions in respect of Litigation Trust Interests, shall be deemed made when delivered to DTC or the applicable Trustee, as applicable, for subsequent distribution to the applicable Noteholders in accordance with section 5.2.

#### **5.5 Procedure for Distributions Regarding Unresolved Claims**

- (a) An Affected Creditor that has asserted an Unresolved Claim will not be entitled to receive a distribution under the Plan in respect of such Unresolved Claim or any portion thereof unless and until such Unresolved Claim becomes a Proven Claim.

- (b) Distributions in respect of any Unresolved Claim in existence at the Plan Implementation Date will be held in escrow by the Unresolved Claims Escrow Agent in the Unresolved Claims Reserve until settlement or final determination of the Unresolved Claim in accordance with the Claims Procedure Order, the Meeting Order or this Plan, as applicable.
- (c) To the extent that Unresolved Claims become Proven Claims or are finally disallowed, the Unresolved Claims Escrow Agent shall release from escrow and deliver (or in the case of Litigation Trust Interests, cause to be registered) the following from the Unresolved Claims Reserve (on the next Distribution Date, as determined by the Monitor with the consent of SFC and the Initial Consenting Noteholders):
  - (i) in the case of Affected Creditors whose Unresolved Claims are ultimately determined, in whole or in part, to be Proven Claims, the Unresolved Claims Escrow Agent shall release from escrow and deliver to such Affected Creditor that number of Newco Shares, Newco Notes and Litigation Trust Interests (and any income or proceeds therefrom) that such Affected Creditor is entitled to receive in respect of its Proven Claim pursuant to section 4.1 hereof;
  - (ii) in the case of Affected Creditors whose Unresolved Claims are ultimately determined, in whole or in part, to be disallowed, the Unresolved Claims Escrow Agent shall release from escrow and deliver to all Affected Creditors with Proven Claims the number of Newco Shares, Newco Notes and Litigation Trust Interests (and any income or proceeds therefrom) that had been reserved in the Unresolved Claims Reserve for such Affected Creditor whose Unresolved Claims has been disallowed, Claims such that, following such delivery, all of the Affected Creditors with Proven Claims have received the amount of Newco Shares, Newco Notes and Litigation Trust Interests that they are entitled to receive pursuant to section 4.1 hereof, which delivery shall be effected in accordance with sections 5.2 and 5.3 hereof.
- (d) As soon as practicable following the date that all Unresolved Claims have been finally resolved and any required distributions contemplated in section 5.5(c) have been made, the Unresolved Claims Escrow Agent shall distribute (or in the case of Litigation Trust Interests, cause to be registered) any Litigation Trust Interests, Newco Shares and Newco Notes (and any income or proceeds therefrom), as applicable, remaining in the Unresolved Claims Reserve to the Affected Creditors with Proven Claims such that after giving effect to such distributions each such Affected Creditor has received the amount of Litigation Trust Interests, Newco Shares and Newco Notes that it is entitled to receive pursuant to section 4.1 hereof.
- (e) During the time that Newco Shares, Newco Notes and/or Litigation Trust Interests are held in escrow in the Unresolved Claims Reserve, any income or proceeds

received therefrom or accruing thereon shall be added to the Unresolved Claims Reserve by the Unresolved Claims Escrow Agent and no Person shall have any right to such income or proceeds until such Newco Shares, Newco Notes or Litigation Trust Interests, as applicable, are distributed (or in the case of Litigation Trust Interests, registered) in accordance with section 5.5(c) and 5.5(d) hereof, at which time the recipient thereof shall be entitled to any applicable income or proceeds therefrom.

- (f) The Unresolved Claims Escrow Agent shall have no beneficial interest or right in the Unresolved Claims Reserve. The Unresolved Claims Escrow Agent shall not take any step or action with respect to the Unresolved Claims Reserve or any other matter without the consent or direction of the Monitor or the direction of the Court. The Unresolved Claims Escrow Agent shall forthwith, upon receipt of an Order of the Court or instruction of the Monitor directing the release of any Newco Shares, Newco Notes and/or Litigation Trust Interests from the Unresolved Claims Reserve, comply with any such Order or instruction.
- (g) Nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that any Unresolved Claims should be disallowed in whole or in part or that such Unresolved Claims should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan.
- (h) Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claim, and Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall have standing in any such proceeding on behalf of the Initial Consenting Noteholders (in their capacity as Affected Creditors with Proven Claims).

## **5.6 Tax Refunds**

Any input tax credits or tax refunds received by or on behalf of SFC after the Effective Time shall, immediately upon receipt thereof, be paid directly by, or on behalf of, SFC to Newco without consideration.

## **5.7 Final Distributions from Reserves**

- (a) If there is any cash remaining in: (i) the Unaffected Claims Reserve on the date that all Unaffected Claims have been finally paid or otherwise discharged and/or (ii) the Administration Charge Reserve on the date that all Claims secured by the Administration Charge have been finally paid or otherwise discharged, the Monitor shall, in each case, forthwith transfer all such remaining cash to the Monitor's Post-Implementation Reserve.
- (b) The Monitor will not terminate the Monitor's Post-Implementation Reserve prior to the termination of each of the Unaffected Claims Reserve and the Administration Charge Reserve. The Monitor may, at any time, from time to time

and at its sole discretion, release amounts from the Monitor's Post-Implementation Reserve to Newco. Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall be permitted to apply for an Order of the Court directing the Monitor to make distributions from the Monitor's Post-Implementation Reserve. Once the Monitor has determined that the cash remaining in the Monitor's Post-Implementation Reserve is no longer necessary for administering SFC or the Claims Procedure, the Monitor shall forthwith transfer any such remaining cash (the "Remaining Post-Implementation Reserve Amount") to Newco.

### **5.8 Other Payments and Distributions**

All other payments and distributions to be made pursuant to this Plan shall be made in the manner described in this Plan, the Sanction Order or any other Order, as applicable.

### **5.9 Note Indentures to Remain in Effect Solely for Purpose of Distributions**

Following completion of the steps in the sequence set forth in section 6.4, all debentures, indentures, notes (including the Notes), certificates, agreements, invoices and other instruments evidencing Affected Claims will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and will be cancelled and will be null and void. Any and all obligations of SFC and the Subsidiaries under and with respect to the Notes, the Note Indentures and any guarantees or indemnities with respect to the Notes or the Note Indentures shall be terminated and cancelled on the Plan Implementation Date and shall not continue beyond the Plan Implementation Date. Notwithstanding the foregoing and anything to the contrary in the Plan, the Note Indentures shall remain in effect solely for the purpose of and only to the extent necessary to allow the Trustees to make distributions to Noteholders on the Initial Distribution Date and, as necessary, each subsequent Distribution Date thereafter, and to maintain all of the rights and protections afforded to the Trustees as against the Noteholders under the applicable Note Indentures, including their lien rights with respect to any distributions under this Plan, until all distributions provided for hereunder have been made to the Noteholders. The obligations of the Trustees under or in respect of this Plan shall be solely as expressly set out herein. Without limiting the generality of the releases, injunctions and other protections afforded to the Trustees under this Plan and the applicable Note Indentures, the Trustees shall have no liability whatsoever to any Person resulting from the due performance of their obligations hereunder, except if such Trustee is adjudged by the express terms of a non-appealable judgment rendered on a final determination on the merits to have committed gross negligence or wilful misconduct in respect of such matter.

### **5.10 Assignment of Claims for Distribution Purposes**

#### *(a) Assignment of Claims by Ordinary Affected Creditors*

Subject to any restrictions contained in Applicable Laws, an Ordinary Affected Creditor may transfer or assign the whole of its Affected Claim after the Meeting provided that neither SFC nor Newco nor Newco II nor the Monitor nor the Unresolved Claims Escrow Agent shall be obliged to make distributions to any such transferee or assignee or otherwise deal with such

transferee or assignee as an Ordinary Affected Creditor in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment and such other documentation as SFC and the Monitor may reasonably require, has been received by SFC and the Monitor on or before the Plan Implementation Date, or such other date as SFC and the Monitor may agree, failing which the original transferor shall have all applicable rights as the "Ordinary Affected Creditor" with respect to such Affected Claim as if no transfer of the Affected Claim had occurred. Thereafter, such transferee or assignee shall, for all purposes in accordance with this Plan, constitute an Ordinary Affected Creditor and shall be bound by any and all notices previously given to the transferor or assignor in respect of such Claim. For greater certainty, SFC shall not recognize partial transfers or assignments of Claims.

(b) *Assignment of Notes*

Only those Noteholders who have beneficial ownership of one or more Notes as at the Distribution Record Date shall be entitled to receive a distribution under this Plan on the Initial Distribution Date or any Distribution Date. Noteholders who have beneficial ownership of Notes shall not be restricted from transferring or assigning such Notes prior to or after the Distribution Record Date (unless the Distribution Record Date is the Plan Implementation Date), provided that if such transfer or assignment occurs after the Distribution Record Date, neither SFC nor Newco nor Newco II nor the Monitor nor the Unresolved Claims Escrow Agent shall have any obligation to make distributions to any such transferee or assignee of Notes in respect of the Claims associated therewith, or otherwise deal with such transferee or assignee as an Affected Creditor in respect thereof. Noteholders who assign or acquire Notes after the Distribution Record Date shall be wholly responsible for ensuring that Plan distributions in respect of the Claims associated with such Notes are in fact delivered to the assignee, and the Trustees shall have no liability in connection therewith.

**5.11 Withholding Rights**

SFC, Newco, Newco II, the Monitor, the Litigation Trustee, the Unresolved Claims Escrow Agent and/or any other Person making a payment contemplated herein shall be entitled to deduct and withhold from any consideration payable to any Person such amounts as it is required to deduct and withhold with respect to such payment under the Canadian Tax Act, the United States Internal Revenue Code of 1986 or any provision of federal, provincial, territorial, state, local or foreign Tax laws, in each case, as amended. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate Taxing Authority. To the extent that the amounts so required or permitted to be deducted or withheld from any payment to a Person exceed the cash portion of the consideration otherwise payable to that Person: (i) the payor is authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to enable it to comply with such deduction or withholding requirement or entitlement, and the payor shall notify the applicable Person thereof and remit to such Person any unapplied balance of the net proceeds of such sale; or (ii) if such sale is not reasonably possible, the payor shall not be required to make such excess payment until the Person has directly satisfied any such withholding obligation and provides evidence thereof to the payor.

### **5.12 Fractional Interests**

No fractional interests of Newco Shares or Newco Notes ("**Fractional Interests**") will be issued under this Plan. For purposes of calculating the number of Newco Shares and Newco Notes to be issued by Newco pursuant to this Plan, recipients of Newco Shares or Newco Notes will have their entitlements adjusted downwards to the nearest whole number of Newco Shares or Newco Notes, as applicable, to eliminate any such Fractional Interests and no compensation will be given for the Fractional Interest.

### **5.13 Further Direction of the Court**

The Monitor shall, in its sole discretion, be entitled to seek further direction of the Court, including a plan implementation order, with respect to any matter relating to the implementation of the plan including with respect to the distribution mechanics and restructuring transaction as set out in Articles 5 and 6 of this Plan.

## **ARTICLE 6 RESTRUCTURING TRANSACTION**

### **6.1 Corporate Actions**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving corporate action of SFC will occur and be effective as of the Plan Implementation Date, other than such matters occurring on the Equity Cancellation Date which will occur and be effective on such date, and in either case will be authorized and approved under the Plan and by the Court, where appropriate, as part of the Sanction Order, in all respects and for all purposes without any requirement of further action by shareholders, Directors or Officers of SFC. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of SFC, as applicable, including the deemed passing by any class of shareholders of any resolution or special resolution and no shareholders' agreement or agreement between a shareholder and another Person limiting in any way the right to vote shares held by such shareholder or shareholders with respect to any of the steps contemplated by the Plan shall be deemed to be effective and shall have no force and effect, provided that, subject to sections 12.6 and 12.7 hereof, where any matter expressly requires the consent or approval of SFC, the Initial Consenting Noteholders or SFC's board of directors pursuant to this Plan, such consent or approval shall not be deemed to be given unless actually given.

### **6.2 Incorporation of Newco and Newco II**

- (a) Newco shall be incorporated prior to the Plan Implementation Date. Newco shall be authorized to issue an unlimited number of Newco Shares and shall have no restrictions on the number of its shareholders. At the time that Newco is incorporated, Newco shall issue one Newco Share to the Initial Newco Shareholder, as the sole shareholder of Newco, and the Initial Newco Shareholder shall be deemed to hold the Newco Share for the purpose of facilitating the



Restructuring Transaction. For greater certainty, the Initial Newco Shareholder shall not hold such Newco Share as agent of or for the benefit of SFC, and SFC shall have no rights in relation to such Newco Share. Newco shall not carry on any business or issue any other Newco Shares or other securities until the Plan Implementation Date, and then only in accordance with section 6.4 hereof. The Initial Newco Shareholder shall be deemed to have no liability whatsoever for any matter pertaining to its status as the Initial Newco Shareholder, other than its obligations under this Plan to act as the Initial Newco Shareholder.

- (b) Newco II shall be incorporated prior to the Plan Implementation Date as a wholly-owned subsidiary of Newco. The memorandum and articles of association of Newco II will be in a form customary for a wholly-owned subsidiary under the applicable jurisdiction and the initial board of directors of Newco II will consist of the same Persons appointed as the directors of Newco on or prior to the Plan Implementation Date.

### **6.3 Incorporation of SFC Escrow Co.**

SFC Escrow Co. shall be incorporated prior to the Plan Implementation Date. SFC Escrow Co. shall be incorporated under the laws of the Cayman Islands, or such other jurisdiction as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. The sole director of SFC Escrow Co. shall be Codan Services (Cayman) Limited, or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. At the time that SFC Escrow Co. is incorporated, SFC Escrow Co. shall issue one share (the "SFC Escrow Co. Share") to SFC, as the sole shareholder of SFC Escrow Co. and SFC shall be deemed to hold the SFC Escrow Co. Share for the purpose of facilitating the Restructuring Transaction. SFC Escrow Co. shall have no assets other than any assets that it is required to hold in escrow pursuant to the terms of this Plan, and it shall have no liabilities other than its obligations as set forth in this Plan. SFC Escrow Co. shall not carry on any business or issue any shares or other securities (other than the SFC Escrow Co. Share). The sole activity and function of SFC Escrow Co. shall be to perform the obligations of the Unresolved Claims Escrow Agent as set forth in this Plan and to administer Undeliverable Distributions as set forth in section 5.4 of this Plan. SFC Escrow Co. shall not make any sale, distribution, transfer or conveyance of any Newco Shares, Newco Notes or any other assets or property that it holds unless it is directed to do so by an Order of the Court or by a written direction from the Monitor, in which case SFC Escrow Co. shall promptly comply with such Order of the Court or such written direction from the Monitor. SFC shall not sell, transfer or convey the SFC Escrow Co. Share nor effect or cause to be effected any liquidation, dissolution, merger or other corporate reorganization of SFC Escrow Co. unless it is directed to do so by an Order of the Court or by a written direction from the Monitor, in which case SFC shall promptly comply with such Order of the Court or such written direction from the Monitor. SFC Escrow Co. shall not exercise any voting rights (including any right to vote at a meeting of shareholders or creditors held or in any written resolution) in respect of Newco Shares or Newco Notes held in the Unresolved Claims Reserve. SFC Escrow Co. shall not be entitled to receive any compensation for the performance of its obligations under this Plan.

#### 6.4 Plan Implementation Date Transactions

The following steps and compromises and releases to be effected shall occur, and be deemed to have occurred in the following manner and order (sequentially, each step occurring five minutes apart, except that within such order steps (a) to (f) (Cash Payments) shall occur simultaneously and steps (t) to (w) (Releases) shall occur simultaneously) without any further act or formality, on the Plan Implementation Date beginning at the Effective Time (or in such other manner or order or at such other time or times as SFC, the Monitor and the Initial Consenting Noteholders may agree):

##### *Cash Payments and Satisfaction of Lien Claims*

- (a) SFC shall pay required funds to the Monitor for the purpose of funding the Unaffected Claims Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of paying the Unaffected Claims pursuant to the Plan.
- (b) SFC shall pay the required funds to the Monitor for the purpose of funding the Administration Charge Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of paying Unaffected Claims secured by Administration Charge.
- (c) SFC shall pay the required funds to the Monitor for the purpose of funding the Monitor's Post-Implementation Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of administering SFC, as necessary, from and after the Plan Implementation Date.
- (d) SFC shall pay to the Noteholder Advisors and the Initial Consenting Noteholders, as applicable, each such Person's respective portion of the Expense Reimbursement. SFC shall pay all fees and expenses owing to each of the SFC Advisors, the advisors to the current Board of Directors of SFC, Chandler Fraser Keating Limited and Spencer Stuart and SFC or any of the Subsidiaries shall pay all fees and expenses owing to each of Indufor Asia Pacific Limited and Stewart Murray (Singapore) Pte. Ltd. If requested by the Monitor (with the consent of the Initial Consenting Noteholders) no more than 10 days prior to the Plan Implementation Date and provided that all fees and expenses set out in all previous invoices rendered by the applicable Person to SFC have been paid, SFC and the Subsidiaries, as applicable, shall, with respect to the final one or two invoices rendered prior to the Plan Implementation Date, pay any such fees and expenses to such Persons for all work up to and including the Plan Implementation Date (including any reasonable estimates of work to be performed on the Plan Implementation Date) first by applying any such monetary retainers currently held by such Persons and then by paying any remaining balance in cash.
- (e) If requested by the Monitor (with the consent of the Initial Consenting Noteholders) prior to the Plan Implementation Date, any Person with a monetary retainer from SFC that remains outstanding following the steps and payment of all

fees and expenses set out in section 6.4(d) hereof shall pay to SFC in cash the full amount of such remaining retainer, less any amount permitted by the Monitor (with the Consent of the Initial Consenting Noteholders and after prior discussion with the applicable Person as to any remaining work that may reasonably be required) to remain as a continuing monetary retainer in connection with completion of any remaining work after the Plan Implementation Date that may be requested by the Monitor, SFC or the Initial Consenting Noteholders (each such continuing monetary retainer being a **"Permitted Continuing Retainer"**). Such Persons shall have no duty or obligation to perform any further work or tasks in respect of SFC unless such Persons are satisfied that they are holding adequate retainers or other security or have received payment to compensate them for all fees and expenses in respect of such work or tasks. The obligation of such Persons to repay the remaining amounts of any monetary retainers (including the unused portions of any Permitted Continuing Retainers) and all cash received therefrom shall constitute SFC Assets.

- (f) The Lien Claims shall be satisfied in accordance with section 4.2(c) hereof.

***Transaction Steps***

- (g) All accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims (including any Accrued Interest on the Notes and any interest accruing on the Notes or any Ordinary Affected Creditor Claim after the Filing Date) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred for no consideration, and from and after the occurrence of this step, no Person shall have any entitlement to any such accrued and unpaid interest.
- (h) All of the Affected Creditors shall be deemed to assign, transfer and convey to Newco all of their Affected Creditor Claims, and from and after the occurrence of this step, Newco shall be the legal and beneficial owner of all Affected Creditor Claims. In exchange for the assignment, transfer and conveyance of the Affected Creditor Claims to Newco:
- (i) with respect to Affected Creditor Claims that are Proven Claims at the Effective Time:
- (A) Newco shall issue to each applicable Affected Creditor the number of Newco Shares that each such Affected Creditor is entitled to receive in accordance with section 4.1(a) hereof;
- (B) Newco shall issue to each applicable Affected Creditor the amount of Newco Notes that each such Affected Creditor is entitled to receive in accordance with section 4.1(b) hereof;
- (C) Newco shall issue to each of the Early Consent Noteholders the number of Newco Shares that each such Early Consent Noteholder is entitled to receive pursuant to section 4.3 hereof;

- (D) such Affected Creditors shall be entitled to receive the Litigation Trust Interests to be acquired by Newco in section 6.4(q) hereof, following the establishment of the Litigation Trust;
- (E) such Affected Creditors shall be entitled to receive, at the time or times contemplated in sections 5.5(c) and 5.5(d) hereof, the Newco Shares, Newco Notes and Litigation Trust Interests that are subsequently distributed to (or in the case of Litigation Trust Interests registered for the benefit of) Affected Creditors with Proven Claims pursuant to sections 5.5(c) and 5.5(d) hereof (if any),

and all such Newco Shares and Newco Notes shall be distributed in the manner described in section 5.2 hereof; and

- (ii) with respect to Affected Creditor Claims that are Unresolved Claims as at the Effective Time, Newco shall issue in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto under the Plan, the Newco Shares and the Newco Notes that would have been distributed to the applicable Affected Creditors in respect of such Unresolved Claims if such Unresolved Claims had been Proven Claims at the Effective Time; such Newco Shares, Newco Notes and Litigation Trust Interests acquired by Newco in section 6.4(q) and assigned to and registered in the name of the Unresolved Claims Escrow Agent in accordance with section 6.4(r) shall comprise part of the Unresolved Claims Reserve and the Unresolved Claims Escrow Agent shall hold all such Newco Shares, Newco Notes and Litigation Trust Interests in escrow for the benefit of those Persons entitled to receive distributions thereof pursuant to the Plan.
- (i) The initial Newco Share in the capital of Newco held by the Initial Newco Shareholder shall be redeemed and cancelled for no consideration.
- (j) SFC shall be deemed to assign, transfer and convey to SFC Barbados those SFC Intercompany Claims and/or Equity Interests in one or more Direct Subsidiaries as agreed to by SFC and the Initial Consenting Noteholders prior to the Plan Implementation Date (the "**Barbados Property**") first in full repayment of the Barbados Loans and second, to the extent the fair market value of the Barbados Property exceeds the amount owing under the Barbados Loans, as a contribution to the capital of SFC Barbados by SFC. Immediately after the time of such assignment, transfer and conveyance, the Barbados Loans shall be considered to be fully paid by SFC and no longer outstanding.
- (k) SFC shall be deemed to assign, transfer and convey to Newco all shares and other Equity Interests (other than the Barbados Property) in the capital of (i) the Direct Subsidiaries and (ii) any other Subsidiaries that are directly owned by SFC immediately prior to the Effective Time, other than SFC Escrow Co. (all such

shares and other equity interests being the "Direct Subsidiary Shares") for a purchase price equal to the fair market value of the Direct Subsidiary Shares and, in consideration therefor, Newco shall be deemed to pay to SFC consideration equal to the fair market value of the Direct Subsidiary Shares, which consideration shall be comprised of a U.S. dollar denominated demand non-interest-bearing promissory note issued to SFC by Newco having a principal amount equal to the fair market value of the Direct Subsidiary Shares (the "Newco Promissory Note 1"). At the time of such assignment, transfer and conveyance, all prior rights that Newco had to acquire the Direct Subsidiary Shares, under the Plan or otherwise, shall cease to be outstanding. For greater certainty, SFC shall not assign, transfer or convey the SFC Escrow Co. Share, and the SFC Escrow Co. Share shall remain the property of SFC.

- (l) If the Initial Consenting Noteholders and SFC agree prior to the Plan Implementation Date, there will be a set-off of any SFC Intercompany Claim so agreed against a Subsidiary Intercompany Claim owing between SFC and the same Subsidiary. In such case, the amounts will be set-off in repayment of both claims to the extent of the lesser of the two amounts, and the excess (if any) shall continue as an SFC Intercompany Claim or a Subsidiary Intercompany Claim, as applicable.
- (m) SFC shall be deemed to assign, transfer and convey to Newco all SFC Intercompany Claims (other than the SFC Intercompany Claims transferred to SFC Barbados in section 6.4(j) hereof or set-off pursuant to section 6.4(l) hereof) for a purchase price equal to the fair market value of such SFC Intercompany Claims and, in consideration therefor, Newco shall be deemed to pay SFC consideration equal to the fair market value of the SFC Intercompany Claims, which consideration shall be comprised of the following: (i) the assumption by Newco of all of SFC's obligations to the Subsidiaries in respect of Subsidiary Intercompany Claims (other than the Subsidiary Intercompany Claims set-off pursuant to section 6.4(l) hereof); and (ii) if the fair market value of the transferred SFC Intercompany Claims exceeds the fair market value of the assumed Subsidiary Intercompany Claims, Newco shall issue to SFC a U.S. dollar denominated demand non-interest-bearing promissory note having a principal amount equal to such excess (the "Newco Promissory Note 2").
- (n) SFC shall be deemed to assign, transfer and convey to Newco all other SFC Assets (namely, all SFC Assets other than the Direct Subsidiary Shares and the SFC Intercompany Claims (which shall have already been transferred to Newco in accordance with sections 6.4(k) and 6.4(m) hereof)), for a purchase price equal to the fair market value of such other SFC Assets and, in consideration therefor, Newco shall be deemed to pay to SFC consideration equal to the fair market value of such other SFC Assets, which consideration shall be comprised of a U.S. dollar denominated demand non-interest-bearing promissory note issued to SFC by Newco having a principal amount equal to the fair market value of such other SFC Assets (the "Newco Promissory Note 3").

- (o) SFC shall establish the Litigation Trust and SFC and the Trustees (on behalf of the Noteholders) shall be deemed to convey, transfer and assign to the Litigation Trustee all of their respective rights, title and interest in and to the Litigation Trust Claims. SFC shall advance the Litigation Funding Amount to the Litigation Trustee for use by the Litigation Trustee in prosecuting the Litigation Trust Claims in accordance with the Litigation Trust Agreement, which advance shall be deemed to create a non-interest bearing receivable from the Litigation Trustee in favour of SFC in the amount of the Litigation Funding Amount (the "**Litigation Funding Receivable**"). The Litigation Funding Amount and Litigation Trust Claims shall be managed by the Litigation Trustee in accordance with the terms and conditions of the Litigation Trust Agreement.
- (p) The Litigation Trust shall be deemed to be effective from the time that it is established in section 6.4(o) hereof. Initially, all of the Litigation Trust Interests shall be held by SFC. Immediately thereafter, SFC shall assign, convey and transfer a portion of the Litigation Trust Interests to the Noteholder Class Action Claimants in accordance with the allocation set forth in section 4.11 hereof.
- (q) SFC shall settle and discharge the Affected Creditor Claims by assigning Newco Promissory Note 1, Newco Promissory Note 2 and Newco Promissory Note 3 (collectively, the "**Newco Promissory Notes**"), the Litigation Funding Receivable and the remaining Litigation Trust Interests held by SFC to Newco. Such assignment shall constitute payment, by set-off, of the full principal amount of the Newco Promissory Notes and of a portion of the Affected Creditor Claims equal to the aggregate principal amount of the Newco Promissory Notes, the Litigation Trust Receivable and the fair market value of the Litigation Trust Interests so transferred (with such payment being allocated first to the Noteholder Claims and then to the Ordinary Affected Creditor Claims). As a consequence thereof:
- (i) Newco shall be deemed to discharge and release SFC of and from all of SFC's obligations to Newco in respect of the Affected Creditor Claims, and all of Newco's rights against SFC of any kind in respect of the Affected Creditor Claims shall thereupon be fully, finally, irrevocably and forever compromised, released, discharged and cancelled; and
  - (ii) SFC shall be deemed to discharge and release Newco of and from all of Newco's obligations to SFC in respect of the Newco Promissory Notes, and the Newco Promissory Notes and all of SFC's rights against Newco in respect thereof shall thereupon be fully, finally, irrevocably and forever released, discharged and cancelled.
- (r) Newco shall cause a portion of the Litigation Trust Interests it acquired in section 6.4(q) hereof to be assigned to and registered in the name of the Affected Creditors with Proven Claims as contemplated in section 6.4(h), and with respect to any Affected Creditor Claims that are Unresolved Claims as at the Effective Time, the remaining Litigation Trust Interests held by Newco that would have been allocated to the applicable Affected Creditors in respect of such Unresolved

Claims if such Unresolved Claims had been Proven Claims at the Effective Time shall be assigned and registered by the Litigation Trustee to the Unresolved Claims Escrow Agent and in the name of the Unresolved Claims Escrow Agent, in escrow for the benefit of Persons entitled thereto, and such Litigation Trust Interests shall comprise part of the Unresolved Claims Reserve. The Litigation Trustee shall record entitlements to the Litigation Trust Interests in the manner set forth in section 5.3.

### *Cancellation of Instruments and Guarantees*

- (s) Subject to section 5.9 hereof, all debentures, indentures, notes, certificates, agreements, invoices, guarantees, pledges and other instruments evidencing Affected Claims, including the Notes and the Note Indentures, will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and shall be cancelled and will thereupon be null and void. The Trustees shall be directed by the Court and shall be deemed to have released, discharged and cancelled any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures.

### *Releases*

- (t) Each of Newco and Newco II shall be deemed to have no liability or obligation of any kind whatsoever for: any Claim (including, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares or other Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing, provided only that Newco shall assume SFC's obligations to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims pursuant to section 6.4(l) hereof and Newco II shall assume Newco's obligations to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims pursuant to section 6.4(x) hereof.

- (u) Each of the Charges shall be discharged, released and cancelled.
- (v) The releases and injunctions referred to in Article 7 of the Plan shall become effective in accordance with the Plan.
- (w) Any contract defaults arising as a result of the CCAA Proceedings and/or the implementation of the Plan (including, notwithstanding anything to the contrary herein, any such contract defaults in respect of the Unaffected Claims) shall be deemed to be cured.

#### *Newco II*

- (x) Newco shall be deemed to assign, transfer and convey to Newco II all of Newco's right, title and interest in and to all of its properties, assets and rights of every kind and description (namely the SFC Assets acquired by Newco pursuant to the Plan) for a purchase price equal to the fair market value thereof and, in consideration therefor, Newco II shall be deemed to pay to Newco consideration equal to the fair market value of such properties, assets and rights (the "**Newco II Consideration**"). The Newco II Consideration shall be comprised of: (i) the assumption by Newco II of any and all indebtedness of Newco other than the indebtedness of Newco in respect of the Newco Notes (namely, any indebtedness of Newco in respect of the Subsidiary Intercompany Claims); and (ii) the issuance to Newco of that number of common shares in Newco II as is necessary to ensure that the value of the Newco II Consideration is equal to the fair market value of the properties, assets and rights conveyed by Newco to Newco II pursuant to this section 6.4(x).

#### **6.5 Cancellation of Existing Shares and Equity Interests**

Unless otherwise agreed between the Monitor, SFC and the Initial Consenting Noteholders, on the Equity Cancellation Date all Existing Shares and Equity Interests shall be fully, finally and irrevocably cancelled, and the following steps will be implemented pursuant to the Plan as a plan of reorganization under section 191 of the *CBCA*, to be effected by articles of reorganization to be filed by SFC, subject to the receipt of any required approvals from the Ontario Securities Commission with respect to the trades in securities contemplated by the following:

- (a) SFC will create a new class of common shares to be called Class A common shares that are equivalent to the current Existing Shares except that they carry two votes per share;
- (b) SFC will amend the share conditions of the Existing Shares to provide that they are cancellable for no consideration at such time as determined by the board of directors of SFC;
- (c) prior to the cancellation of the Existing Shares, SFC will issue for nominal consideration one Class A common share of SFC to the SFC Continuing Shareholder;



- (d) SFC will cancel the Existing Shares for no consideration on the Equity Cancellation Date; and
- (e) SFC will apply to Canadian securities regulatory authorities for SFC to cease to be a reporting issuer effective immediately before the Effective Time.

Unless otherwise agreed by SFC, the Monitor and the Initial Consenting Noteholders or as otherwise directed by Order of the Court, SFC shall maintain its corporate existence at all times from and after the Plan Implementation Date until the later of the date: (i) on which SFC Escrow Co. has completed all of its obligations as Unresolved Claims Escrow Agent under this Plan; (ii) on which SFC escrow Co. no longer holds any Undeliverable Distributions delivered to it in accordance with the section 5.4 hereof; and (iii) as determined by the Litigation Trustee.

## **6.6 Transfers and Vesting Free and Clear**

- (a) All of the SFC Assets (including for greater certainty the Direct Subsidiary Shares, the SFC Intercompany Claims and all other SFC Assets assigned, transferred and conveyed to Newco and/or Newco II pursuant to section 6.4) shall be deemed to vest absolutely in Newco or Newco II, as applicable, free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims, Non-Released D&O Claims, Affected Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, Causes of Action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. Any Encumbrances or claims affecting, attaching to or relating to the SFC Assets in respect of the foregoing shall be deemed to be irrevocably expunged and discharged as against the SFC Assets, and no such Encumbrances or claims shall be pursued or enforceable as against Newco or Newco II. For greater certainty, with respect to the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries: (i) the vesting free and clear in Newco and/or Newco II, as applicable, and the expunging and discharging that occurs by operation of this paragraph shall only apply to SFC's ownership interests in the Subsidiaries, Greenheart and Greenheart's subsidiaries; and (ii) except as provided for in the Plan (including this section 6.6(a) and sections 4.9(g), 6.4(k), 6.4(l) and 6.4(m) hereof and Article 7 hereof) and the Sanction Order, the assets, liabilities, business and property of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries shall remain unaffected by the Restructuring Transaction.
- (b) Any issuance, assignment, transfer or conveyance of any securities, interests, rights or claims pursuant to the Plan, including the Newco Shares, the Newco Notes and the Affected Creditor Claims, will be free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Affected

Claims, Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims, Non-Released D&O Claims; Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, Causes of Action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. For greater certainty, with respect to the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries: (i) the vesting free and clear in Newco and Newco II that occurs by operation of this paragraph shall only apply to SFC's direct and indirect ownership interests in the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries; and (ii) except as provided for in the Plan (including section 6.6(a) and sections 4.9(g), 6.4(k), 6.4(l) and 6.4(m) hereof and Article 7 hereof) and the Sanction Order, the assets, liabilities, business and property of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries shall remain unaffected by the Restructuring Transaction.

## ARTICLE 7 RELEASES

### 7.1 Plan Releases

Subject to 7.2 hereof, all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date:

- (a) all Affected Claims, including all Affected Creditor Claims, Equity Claims, D&O Claims (other than Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims and Non-Released D&O Claims), D&O Indemnity Claims (except as set forth in section 7.1(d) hereof) and Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims);
- (b) all Claims of the Ontario Securities Commission or any other Governmental Entity that have or could give rise to a monetary liability, including fines, awards, penalties, costs, claims for reimbursement or other claims having a monetary value;
- (c) all Class Action Claims (including the Noteholder Class Action Claims) against SFC, the Subsidiaries or the Named Directors or Officers of SFC or the Subsidiaries (other than Class Action Claims that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims);
- (d) all Class Action Indemnity Claims (including related D&O Indemnity Claims), other than any Class Action Indemnity Claim by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (including any D&O Indemnity Claim in that respect), which shall be limited to the Indemnified Noteholder Class Action Limit pursuant to the releases set out in section 7.1(f) hereof and the injunctions set out in section 7.3 hereof;

- (e) any portion or amount of liability of the Third Party Defendants for the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all Indemnified Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (f) any portion or amount of liability of the Underwriters for the Noteholder Class Action Claims (other than any Noteholder Class Action Claims against the Underwriters for fraud or criminal conduct) (on a collective, aggregate basis in reference to all such Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (g) any portion or amount of, or liability of SFC for, any Class Action Indemnity Claims by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all such Class Action Indemnity Claims together) to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;
- (h) any and all Excluded Litigation Trust Claims;
- (i) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including members of any committee or governance council), partner or employee of any of the foregoing, for or in connection with or in any way relating to: any Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims); Affected Claims; Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims; Non-Released D&O Claims; Class Action Claims; Class Action Indemnity Claims; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, claims for contribution, share pledges or Encumbrances related to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries;
- (j) any and all Causes of Action against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, the Named Directors and Officers, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including members of any committee or governance council), partner or employee of any of the foregoing, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation

Date (or, with respect to actions taken pursuant to the Plan after the Plan Implementation Date, the date of such actions) in any way relating to, arising out of, leading up to, for, or in connection with the CCAA Proceeding, RSA, the Restructuring Transaction, the Plan, any proceedings commenced with respect to or in connection with the Plan, or the transactions contemplated by the RSA and the Plan, including the creation of Newco and/or Newco II and the creation, issuance or distribution of the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, provided that nothing in this paragraph shall release or discharge any of the Persons listed in this paragraph from or in respect of any obligations any of them may have under or in respect of the RSA, the Plan or under or in respect of any of Newco, Newco II, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

- (k) any and all Causes of Action against the Subsidiaries for or in connection with any Claim (including, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any indemnification obligation to Directors or Officers of SFC or the Subsidiaries pertaining to SFC, the Notes, the Note Indentures, the Existing Shares, the Equity Interests, any other securities of SFC or any other right, claim or liability for or in connection with the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC (whenever or however conducted), the administration and/or management of SFC, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing;
- (l) all Subsidiary Intercompany Claims as against SFC (which are assumed by Newco and then Newco II pursuant to the Plan);
- (m) any entitlements of Ernst & Young to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan;

- (n) any entitlements of the Named Third Party Defendants to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan; and
- (o) any entitlements of the Underwriters to receive distributions of any kind (including Newco Shares, Newco Notes and Litigation Trust Interests) under this Plan.

## 7.2 Claims Not Released

Notwithstanding anything to the contrary in section 7.1 hereof, nothing in this Plan shall waive, compromise, release, discharge, cancel or bar any of the following:

- (a) SFC of its obligations under the Plan and the Sanction Order;
- (b) SFC from or in respect of any Unaffected Claims (provided that recourse against SFC in respect of Unaffected Claims shall be limited in the manner set out in section 4.2 hereof);
- (c) any Directors or Officers of SFC or the Subsidiaries from any Non-Released D&O Claims, Conspiracy Claims or any Section 5.1(2) D&O Claims, provided that recourse against the Named Directors or Officers of SFC in respect of any Section 5.1(2) D&O Claims and any Conspiracy Claims shall be limited in the manner set out in section 4.9(e) hereof;
- (d) any Other Directors and/or Officers from any Continuing Other D&O Claims, provided that recourse against the Other Directors and/or Officers in respect of the Indemnified Noteholder Class Action Claims shall be limited in the manner set out in section 4.4(b)(i) hereof;
- (e) the Third Party Defendants from any claim, liability or obligation of whatever nature for or in connection with the Class Action Claims, provided that the maximum aggregate liability of the Third Party Defendants collectively in respect of the Indemnified Noteholder Class Action Claims shall be limited to the Indemnified Noteholder Class Action Limit pursuant to section 4.4(b)(i) hereof and the releases set out in sections 7.1(e) and 7.1(f) hereof and the injunctions set out in section 7.3 hereof;
- (f) Newco II from any liability to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims assumed by Newco II pursuant to section 6.4(x) hereof;
- (g) the Subsidiaries from any liability to Newco II in respect of the SFC Intercompany Claims conveyed to Newco II pursuant to section 6.4(x) hereof;
- (h) SFC of or from any investigations by or non-monetary remedies of the Ontario Securities Commission, provided that, for greater certainty, all monetary rights, claims or remedies of the Ontario Securities Commission against SFC shall be

treated as Affected Creditor Claims in the manner described in section 4.1 hereof and released pursuant to section 7.1(b) hereof;

- (i) the Subsidiaries from their respective indemnification obligations (if any) to Directors or Officers of the Subsidiaries that relate to the ordinary course operations of the Subsidiaries and that have no connection with any of the matters listed in section 7.1(i) hereof;
- (j) SFC or the Directors and Officers from any Insured Claims, provided that recovery for Insured Claims shall be irrevocably limited to recovery solely from the proceeds of Insurance Policies paid or payable on behalf of SFC or its Directors and Officers in the manner set forth in section 2.4 hereof;
- (k) insurers from their obligations under insurance policies; and
- (l) any Released Party for fraud or criminal conduct.

### **7.3 Injunctions**

All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan.

### **7.4 Timing of Releases and Injunctions**

All releases and injunctions set forth in this Article 7 shall become effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 hereof.

### **7.5 Equity Class Action Claims Against the Third Party Defendants**

Subject only to Article 11 hereof, and notwithstanding anything else to the contrary in this Plan, any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests: (a) is unaffected by this Plan; (b) is not

discharged, released, cancelled or barred pursuant to this Plan; (c) shall be permitted to continue as against the Third Party Defendants; (d) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for any such Class Action Claim that relates to any liability of the Third Party Defendants for any alleged liability of SFC); and (e) does not constitute an Equity Claim or an Affected Claim under this Plan.

## **ARTICLE 8 COURT SANCTION**

### **8.1 Application for Sanction Order**

If the Plan is approved by the Required Majority, SFC shall apply for the Sanction Order on or before the date set for the hearing of the Sanction Order or such later date as the Court may set.

### **8.2 Sanction Order**

The Sanction Order shall, among other things:

- (a) declare that: (i) the Plan has been approved by the Required Majority in conformity with the CCAA; (ii) the activities of SFC have been in reasonable compliance with the provisions of the CCAA and the Orders of the Court made in this CCAA Proceeding in all respects; (iii) the Court is satisfied that SFC has not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (b) declare that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved, binding and effective as herein set out as of the Plan Implementation Date;
- (c) confirm the amount of each of the Unaffected Claims Reserve, the Administration Charge Reserve and the Monitor's Post-Implementation Reserve;
- (d) declare that, on the Plan Implementation Date, all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions to which they are entitled pursuant to the Plan;
- (e) declare that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to any such matter shall be permanently stayed;
- (f) declare that the steps to be taken, the matters that are deemed to occur and the compromises and releases to be effective on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated by section 6.4, beginning at the Effective Time;

- (g) declare that, on the Plan Implementation Date, the SFC Assets vest absolutely in Newco and that, in accordance with section 6.4(x) hereof, the SFC Assets transferred by Newco to Newco II vest absolutely in Newco II, in each case in accordance with the terms of section 6.6(a) hereof;
- (h) confirm that the Court was satisfied that: (i) the hearing of the Sanction Order was open to all of the Affected Creditors and all other Persons with an interest in SFC and that such Affected Creditors and other Persons were permitted to be heard at the hearing in respect of the Sanction Order; (ii) prior to the hearing, all of the Affected Creditors and all other Persons on the service list in respect of the CCAA Proceeding were given adequate notice thereof;
- (i) provide that the Court was advised prior to the hearing in respect of the Sanction Order that the Sanction Order will be relied upon by SFC and Newco as an approval of the Plan for the purpose of relying on the exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan;
- (j) declare that all obligations, agreements or leases to which (i) SFC remains a party on the Plan Implementation Date, or (ii) Newco and/or Newco II becomes a party as a result of the conveyance of the SFC Assets to Newco and the further conveyance of the SFC Assets to Newco II on the Plan Implementation Date, shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation or agreement shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation or agreement, by reason:
  - (i) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled any other party thereto to enforce those rights or remedies;
  - (ii) that SFC sought or obtained relief or has taken steps as part of the Plan or under the CCAA;
  - (iii) of any default or event of default arising as a result of the financial condition or insolvency of SFC;
  - (iv) of the completion of any of the transactions contemplated under the Plan, including the transfer, conveyance and assignment of the SFC Assets to Newco and the further transfer, conveyance and assignment of the SFC Assets by Newco to Newco II; or



- (v) of any compromises, settlements, restructurings, recapitalizations or reorganizations effected pursuant to the Plan;
- (k) stay the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with to advance any Released Claims;
- (l) stay as against Ernst & Young the commencing, taking, applying for or issuing or continuing any and all steps or proceedings (other than all steps or proceedings to implement the Ernst & Young Settlement) pursuant to the terms of the Order of the Honourable Justice Morawetz dated May 8, 2012 between (i) the Plan Implementation Date and (ii) the earlier of the Ernst & Young Settlement Date or such other date as may be ordered by the Court on a motion to the Court on reasonable notice to Ernst & Young;
- (m) declare that in no circumstances will the Monitor have any liability for any of SFC's tax liability regardless of how or when such liability may have arisen;
- (n) authorize the Monitor to perform its functions and fulfil its obligations under the Plan to facilitate the implementation of the Plan;
- (o) direct and deem the Trustees to release, discharge and cancel any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures;
- (p) declare that upon completion by the Monitor of its duties in respect of SFC pursuant to the CCAA and the Orders, the Monitor may file with the Court a certificate of Plan Implementation stating that all of its duties in respect of SFC pursuant to the CCAA and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be discharged from its duties as Monitor and released of all claims relating to its activities as Monitor; and
- (q) declare that, on the Plan Implementation Date, each of the Charges shall be discharged, released and cancelled, and that any obligations secured thereby shall satisfied pursuant to section 4.2(b) hereof, and that from and after the Plan Implementation Date the Administration Charge Reserve shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge;
- (r) declare that the Monitor may not make any payment from the Monitor's Post-Implementation Plan Reserve to any third party professional services provider (other than its counsel) that exceeds \$250,000 (alone or in a series of related payments) without the prior consent of the Initial Consenting Noteholders or an Order of the Court;
- (s) declare that SFC and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or under the Plan;

- (t) declare that, subject to the due performance of its obligations as set forth in the Plan and subject to its compliance with any written directions or instructions of the Monitor and/or directions of the Court in the manner set forth in the Plan, SFC Escrow Co. shall have no liabilities whatsoever arising from the performance of its obligations under the Plan;
- (u) order and declare that all Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claim, and that Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall have standing in any such proceeding on behalf of the Initial Consenting Noteholders (in their capacity as Affected Creditors with Proven Claims);
- (v) order and declare that, from and after the Plan Implementation Date, Newco will be permitted, in its sole discretion and on terms acceptable to Newco, to advance additional cash amounts to the Litigation Trustee from time to time for the purpose of providing additional financing to the Litigation Trust, including the provision of such additional amounts as a non-interest bearing loan to the Litigation Trust that is repayable to Newco on similar terms and conditions as the Litigation Funding Receivable;
- (w) order and declare that: (i) subject to the prior consent of the Initial Consenting Noteholders, each of the Monitor and the Litigation Trustee shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, and (ii) in accordance with this section 8.2(w), all Affected Creditors shall be deemed to consent to any such releases in any such proceedings;
- (x) order and declare that, prior to the Effective Time, SFC shall: (i) preserve or cause to be preserved copies of any documents (as such term is defined in the *Rules of Civil Procedure* (Ontario)) that are relevant to the issues raised in the Class Actions; and (ii) make arrangements acceptable to SFC, the Monitor, the Initial Consenting Noteholders, counsel to Ontario Class Action Plaintiffs, counsel to Ernst & Young, counsel to the Underwriters and counsel to the Named Third Party Defendants to provide the parties to the Class Actions with access thereto, subject to customary commercial confidentiality, privilege or other applicable restrictions, including lawyer-client privilege, work product privilege and other privileges or immunities, and to restrictions on disclosure arising from s. 16 of the *Securities Act* (Ontario) and comparable restrictions on disclosure in other relevant jurisdictions, for purposes of prosecuting and/or defending the Class Actions, as the case may be, provided that nothing in the foregoing reduces or otherwise limits the parties' rights to production and discovery in accordance with the *Rules of Civil Procedure* (Ontario) and the *Class Proceedings Act, 1992* (Ontario);

- (y) order that releases and injunctions set forth in Article 7 of this Plan are effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 hereof;
- (z) order that the Ernst & Young Release shall become effective on the Ernst & Young Settlement Date in the manner set forth in section 11.1 hereof;
- (aa) order that any Named Third Party Defendant Releases shall become effective if and when the terms and conditions of sections 11.2(a), 11.2(b), 11.2(c) have been fulfilled.;
- (bb) order and declare that the matters described in Article 11 hereof shall occur subject to and in accordance with the terms and conditions of Article 11; and
- (cc) declare that section 95 to 101 of the BIA shall not apply to any of the transactions implemented pursuant to the Plan.

If agreed by SFC, the Monitor and the Initial Consenting Noteholders, any of the relief to be included in the Sanction Order pursuant to this section 8.2 in respect of matters relating to the Litigation Trust may instead be included in a separate Order of the Court satisfactory to SFC, the Monitor and the Initial Consenting Noteholders granted prior to the Plan Implementation Date.

## ARTICLE 9 CONDITIONS PRECEDENT AND IMPLEMENTATION

### 9.1 Conditions Precedent to Implementation of the Plan

The implementation of the Plan shall be conditional upon satisfaction or waiver of the following conditions prior to or at the Effective Time, each of which is for the benefit of SFC and the Initial Consenting Noteholders and may be waived only by SFC and the Initial Consenting Noteholders collectively; provided, however, that the conditions in sub-paragraphs (g), (h), (n), (o), (q), (r), (u), (z), (ff), (gg), (mm), (ll) and (nn) shall only be for the benefit of the Initial Consenting Noteholders and, if not satisfied on or prior to the Effective Time, may be waived only by the Initial Consenting Noteholders; and provided further that such conditions shall not be enforceable by SFC if any failure to satisfy such conditions results from an action, error, omission by or within the control of SFC and such conditions shall not be enforceable by the Initial Consenting Noteholders if any failure to satisfy such conditions results from an action, error, omission by or within the control of the Initial Consenting Noteholders:

#### *Plan Approval Matters*

- (a) the Plan shall have been approved by the Required Majority and the Court, and in each case the Plan shall have been approved in a form consistent with the RSA or otherwise acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably;
- (b) the Sanction Order shall have been made and shall be in full force and effect prior to December 17, 2012 (or such later date as may be consented to by SFC and the

- Initial Consenting Noteholders), and all applicable appeal periods in respect thereof shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;
- (c) the Sanction Order shall be in a form consistent with the Plan or otherwise acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably;
  - (d) all filings under Applicable Laws that are required in connection with the Restructuring Transaction shall have been made and any regulatory consents or approvals that are required in connection with the Restructuring Transaction shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated; without limiting the generality of the foregoing, such filings and regulatory consents or approvals include:
    - (i) any required filings, consents and approvals of securities regulatory authorities in Canada;
    - (ii) a consultation with the Executive of the Hong Kong Securities and Futures Commission that is satisfactory to SFC, the Monitor and the Initial Consenting Noteholders confirming that implementation of the Restructuring Transaction will not result in an obligation arising for Newco, its shareholders, Newco II or any Subsidiary to make a mandatory offer to acquire shares of Greenheart;
    - (iii) the submission by SFC and each applicable Subsidiary of a Circular 698 tax filing with all appropriate tax authorities in the PRC within the requisite time prior to the Plan Implementation Date, such filings to be in form and substance satisfactory to the Initial Consenting Noteholders; and
    - (iv) if notification is necessary or desirable under the *Antimonopoly Law of People's Republic of China* and its implementation rules, the submission of all antitrust filings considered necessary or prudent by the Initial Consenting Noteholders and the acceptance and (to the extent required) approval thereof by the competent Chinese authority, each such filing to be in form and substance satisfactory to the Initial Consenting Noteholders;
  - (e) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Restructuring Transaction that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or prohibit) the Restructuring Transaction or any material part thereof or requires or purports to require a variation of the Restructuring Transaction, and SFC shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of SFC, without

personal liability on the part of such officer, certifying compliance with this Section 9.1(e) as of the Plan Implementation Date;

*Newco and Newco II Matters*

- (f) the organization, incorporating documents, articles, by-laws and other constating documents of Newco and Newco II (including any shareholders agreement, shareholder rights plan and classes of shares (voting and non-voting)) and any affiliated or related entities formed in connection with the Restructuring Transaction or the Plan, and all definitive legal documentation in connection with all of the foregoing, shall be acceptable to the Initial Consenting Noteholders and in form and in substance reasonably satisfactory to SFC;
- (g) the composition of the board of directors of Newco and Newco II and the senior management and officers of Newco and Newco II that will assume office, or that will continue in office, as applicable, on the Plan Implementation Date shall be acceptable to the Initial Consenting Noteholders;
- (h) the terms of employment of the senior management and officers of Newco and Newco II shall be acceptable to the Initial Consenting Noteholders;
- (i) except as expressly set out in this Plan, neither Newco nor Newco II shall have:
  - (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) become liable to pay any indebtedness or liability of any kind (other than as expressly set out in section 6.4 hereof); or (iv) entered into any Material agreement;
- (j) any securities that are formed in connection with the Plan, including the Newco Shares and the Newco Notes, when issued and delivered pursuant to the Plan, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance and distribution thereof shall be exempt from all prospectus and registration requirements of any applicable securities, corporate or other law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance, notice, policy or other pronouncement having the effect of law applicable in the provinces of Canada;
- (k) Newco shall not be a reporting issuer (or equivalent) in any province of Canada or any other jurisdiction;
- (l) all of the steps, terms, transactions and documents relating to the conveyance of the SFC Assets to Newco and the further conveyance of the SFC Assets by Newco to Newco II in accordance with the Plan shall be in form and in substance acceptable to SFC and the Initial Consenting Noteholders;
- (m) all of the following shall be in form and in substance acceptable to the Initial Consenting Noteholders and reasonably satisfactory to SFC: (i) the Newco Shares; (ii) the Newco Notes (including the aggregate principal amount of the

Newco Notes); (iii) any trust indenture or other document governing the terms of the Newco Notes; and (iv) the number of Newco Shares and Newco Notes to be issued in accordance with this Plan;

***Plan Matters***

- (n) the Indemnified Noteholder Class Action Limit shall be acceptable to the Initial Consenting Noteholders;
- (o) the aggregate amount of the Proven Claims held by Ordinary Affected Creditors shall be acceptable to the Initial Consenting Noteholders;
- (p) the amount of each of the Unaffected Claims Reserve and the Administration Charge Reserve shall, in each case, be acceptable to SFC, the Monitor and the Initial Consenting Noteholders;
- (q) the amount of the Monitor's Post-Implementation Reserve and the amount of any Permitted Continuing Retainers shall be acceptable to the Initial Consenting Noteholders, and the Initial Consenting Noteholders shall be satisfied that all outstanding monetary retainers held by any SFC Advisors (net of any Permitted Continuing Retainers) have been repaid to SFC on the Plan Implementation Date;
- (r) **[Intentionally deleted];**
- (s) the amount of each of the following shall be acceptable to SFC, the Monitor and the Initial Consenting Noteholders: (i) the aggregate amount of Lien Claims to be satisfied by the return to the applicable Lien Claimants of the applicable secured property in accordance with section 4.2(c)(i) hereof; and (ii) the aggregate amount of Lien Claims to be repaid in cash on the Plan Implementation Date in accordance with section 4.2(c)(ii) hereof;
- (t) the aggregate amount of Unaffected Claims, and the aggregate amount of the Claims listed in each subparagraph of the definition of "Unaffected Claims" shall, in each case, be acceptable to SFC, the Monitor and the Initial Consenting Noteholders;
- (u) the aggregate amount of Unresolved Claims and the amount of the Unresolved Claims Reserve shall, in each case, be acceptable to the Initial Consenting Noteholders and shall be confirmed in the Sanction Order;
- (v) Litigation Trust and the Litigation Trust Agreement shall be in form and in substance acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably, and the Litigation Trust shall be established in a jurisdiction that is acceptable to the Initial Consenting Noteholders and SFC, each acting reasonably;
- (w) SFC, the Monitor and the Initial Consenting Noteholders, each acting reasonably, shall be satisfied with the proposed use of proceeds and payments relating to all aspects of the Restructuring Transaction and the Plan, including, without

limitation, any change of control payments, consent fees, transaction fees, third party fees or termination or severance payments, in the aggregate of \$500,000 or more, payable by SFC or any Subsidiary to any Person (other than a Governmental Entity) in respect of or in connection with the Restructuring Transaction or the Plan, including without limitation, pursuant to any employment agreement or incentive plan of SFC or any Subsidiary;

- (x) SFC, the Monitor and the Initial Consenting Noteholders, each acting reasonably, shall be satisfied with the status and composition of all liabilities, indebtedness and obligations of the Subsidiaries and all releases of the Subsidiaries provided for in the Plan and the Sanction Order shall be binding and effective as of the Plan Implementation Date;

***Plan Implementation Date Matters***

- (y) the steps required to complete and implement the Plan shall be in form and in substance satisfactory to SFC and the Initial Consenting Noteholders;
- (z) the Noteholders and the Early Consent Noteholders shall receive, on the Plan Implementation Date, all of the consideration to be distributed to them pursuant to the Plan;
- (aa) all of the following shall be in form and in substance satisfactory to SFC and the Initial Consenting Noteholders: (i) all materials filed by SFC with the Court or any court of competent jurisdiction in the United States, Canada, Hong Kong, the PRC or any other jurisdiction that relates to the Restructuring Transaction; (ii) the terms of any court-imposed charges on any of the assets, property or undertaking of any of SFC, including without limitation any of the Charges; (iii) the Initial Order; (iv) the Claims Procedure Order; (v) the Meeting Order; (vi) the Sanction Order; (vii) any other Order granted in connection with the CCAA Proceeding or the Restructuring Transaction by the Court or any other court of competent jurisdiction in Canada, the United States, Hong Kong, the PRC or any other jurisdiction; and (viii) the Plan (as it is approved by the Required Majority and the Sanction Order);
- (bb) any and all court-imposed charges on any assets, property or undertaking of SFC, including the Charges, shall be discharged on the Plan Implementation Date on terms acceptable to the Initial Consenting Noteholders and SFC, each acting reasonably;
- (cc) SFC shall have paid, in full, the Expense Reimbursement and all fees and costs owing to the SFC Advisors on the Plan Implementation Date, and neither Newco nor Newco II shall have any liability for any fees or expenses due to the SFC Advisors or the Noteholder Advisors either as at or following the Plan Implementation Date;
- (dd) SFC or the Subsidiaries shall have paid, in full all fees owing to each of Chandler Fraser Keating Limited and Spencer Stuart on the Plan Implementation Date, and

neither Newco nor Newco II shall have any liability for any fees or expenses due to either Chandler Fraser Keating Limited and Spencer Stuart as at or following the Plan Implementation Date;

- (ee) SFC shall have paid all Trustee Claims that are outstanding as of the Plan Implementation Date, and the Initial Consenting Noteholders shall be satisfied that SFC has made adequate provision in the Unaffected Claims Reserve for the payment of all Trustee Claims to be incurred by the Trustees after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan;
- (ff) there shall not exist or have occurred any Material Adverse Effect, and SFC shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of the Company, without any personal liability on the part of such officer, certifying compliance with this section 9.1(ff) as of the Plan Implementation Date;
- (gg) there shall have been no breach of the Noteholder Confidentiality Agreements (as defined in the RSA) by SFC or any of the Sino-Forest Representatives (as defined therein) in respect of the applicable Initial Consenting Noteholder;
- (hh) the Plan Implementation Date shall have occurred no later than January 15, 2013 (or such later date as may be consented to by SFC and the Initial Consenting Noteholders);

***RSA Matters***

- (ii) all conditions set out in sections 6 and 7 of the RSA shall have been satisfied or waived in accordance with the terms of the RSA;
- (jj) the RSA shall not have been terminated;

***Other Matters***

- (kk) the organization, incorporating documents, articles, by-laws and other constating documents of SFC Escrow Co. and all definitive legal documentation in connection with SFC Escrow Co., shall be acceptable to the Initial Consenting Noteholders and the Monitor and in form and in substance reasonably satisfactory to SFC;
- (ll) except as expressly set out in this Plan, SFC Escrow Co. shall not have: (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) acquired any assets or become liable to pay any indebtedness or liability of any kind (other than as expressly set out in this Plan); or (iv) entered into any agreement;



- (mm) the Initial Consenting Noteholders shall have completed due diligence in respect of SFC and the Subsidiaries and the results of such due diligence shall be acceptable to the Initial Consenting Noteholders prior to the date for the hearing of the Sanction Order, except in respect of any new material information or events arising or discovered on or after the date of the hearing for the Sanction Order of which the Initial Consenting Noteholders were previously unaware, in respect of which the date for the Initial Consenting Noteholders to complete such due diligence shall be the Plan Implementation Date, provided that "new material information or events" for purposes of this Section 9.1(mm) shall not include any information or events disclosed prior to the date of the hearing for the Sanction Order in a press release issued by SFC, an affidavit filed with the Court by SFC or a Monitor's Report filed with the Court;
- (nn) if so requested by the Initial Consenting Noteholders, the Sanction Order shall have been recognized and confirmed as binding and effective pursuant to an order of a court of competent jurisdiction in Canada and any other jurisdiction requested by the Initial Consenting Noteholders, and all applicable appeal periods in respect of any such recognition order shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;
- (oo) all press releases, disclosure documents and definitive agreements in respect of the Restructuring Transaction or the Plan shall be in form and substance satisfactory to SFC and the Initial Consenting Noteholders, each acting reasonably; and
- (pp) Newco and SFC shall have entered into arrangements reasonably satisfactory to SFC and the Initial Consenting Noteholders for ongoing preservation and access to the books and records of SFC and the Subsidiaries in existence as at the Plan Implementation Date, as such access may be reasonably requested by SFC or any Director or Officer in the future in connection with any administrative or legal proceeding, in each such case at the expense of the Person making such request.

For greater certainty, nothing in Article 11 hereof is a condition precedent to the implementation of the Plan.

## **9.2 Monitor's Certificate of Plan Implementation**

Upon delivery of written notice from SFC and Goodmans LLP (on behalf of the Initial Consenting Noteholders) of the satisfaction of the conditions set out in section 9.1, the Monitor shall deliver to Goodmans LLP and SFC a certificate stating that the Plan Implementation Date has occurred and that the Plan and the Sanction Order are effective in accordance with their respective terms. Following the Plan Implementation Date, the Monitor shall file such certificate with the Court.

**ARTICLE 10**  
**ALTERNATIVE SALE TRANSACTION**

**10.1 Alternative Sale Transaction**

At any time prior to the Plan Implementation Date (whether prior to or after the granting of the Sanction Order), and subject to the prior written consent of the Initial Consenting Noteholders, SFC may complete a sale of all or substantially all of the SFC Assets on terms that are acceptable to the Initial Consenting Noteholders (an "**Alternative Sale Transaction**"), provided that such Alternative Sale Transaction has been approved by the Court pursuant to section 36 of the CCAA on notice to the service list. In the event that such an Alternative Sale Transaction is completed, the terms and conditions of this Plan shall continue to apply in all respects, subject to the following:

- (a) The Newco Shares and Newco Notes shall not be distributed in the manner contemplated herein. Instead, the consideration paid or payable to SFC pursuant to the Alternative Sale Transaction (the "**Alternative Sale Transaction Consideration**") shall be distributed to the Persons entitled to receive Newco Shares hereunder, and such Persons shall receive the Alternative Sale Transaction Consideration in the same proportions and subject to the same terms and conditions as are applicable to the distribution of Newco Shares hereunder.
- (b) All provisions in this Plan that address Newco or Newco II shall be deemed to be ineffective to the extent that they address Newco or Newco II, given that Newco and Newco II will not be required in connection with an Alternative Sale Transaction.
- (c) All provisions addressing the Newco Notes shall be deemed to be ineffective to the extent such provisions address the Newco Notes, given that the Newco Notes will not be required in connection with an Alternative Sale Transaction.
- (d) All provisions relating to the Newco Shares shall be deemed to address the Alternative Sale Transaction Consideration to the limited extent such provisions address the Newco Shares.
- (e) SFC, with the written consent of the Monitor and the Initial Consenting Noteholders, shall be permitted to make such amendments, modifications and supplements to the terms and conditions of this Plan as are necessary to: (i) facilitate the Alternative Sale Transaction; (ii) cause the Alternative Sale Transaction Consideration to be distributed in the same proportions and subject to the same terms and conditions as are subject to the distribution of Newco Shares hereunder; and (iii) complete the Alternative Sale Transaction and distribute the Alternative Sale Transaction Proceeds in a manner that is tax efficient for SFC and the Affected Creditors with Proven Claims, provided in each case that (y) a copy of such amendments, modifications or supplements is filed with the Court and served upon the service list; and (z) the Monitor is satisfied that such amendments, modifications or supplements do not materially alter the

proportionate entitlements of the Affected Creditors, as amongst themselves, to the consideration distributed pursuant to the Plan.

Except for the requirement of obtaining the prior written consent of the Initial Consenting Noteholders with respect to the matters set forth in this section 10.1 and subject to the approval of the Alternative Sale Transaction by the Court pursuant to section 36 of the CCAA (on notice to the service list), once this Plan has been approved by the Required Majority of Affected Creditors, no further meeting, vote or approval of the Affected Creditors shall be required to enable SFC to complete an Alternative Sale Transaction or to amend the Plan in the manner described in this 10.1.

## ARTICLE 11 SETTLEMENT OF CLAIMS AGAINST THIRD PARTY DEFENDANTS

### 11.1 Ernst & Young

- (a) Notwithstanding anything to the contrary herein, subject to: (i) the granting of the Sanction Order; (ii) the issuance of the Settlement Trust Order (as may be modified in a manner satisfactory to the parties to the Ernst & Young Settlement and SFC (if occurring on or prior to the Plan Implementation Date), the Monitor and the Initial Consenting Noteholders, as applicable, to the extent, if any, that such modifications affect SFC, the Monitor or the Initial Consenting Noteholders, each acting reasonably); (iii) the granting of an Order under Chapter 15 of the United States Bankruptcy Code recognizing and enforcing the Sanction Order and the Settlement Trust Order in the United States; (iv) any other order necessary to give effect to the Ernst & Young Settlement (the orders referenced in (iii) and (iv) being collectively the “**Ernst & Young Orders**”); (v) the fulfillment of all conditions precedent in the Ernst & Young Settlement and the fulfillment by the Ontario Class Action Plaintiffs of all of their obligations thereunder; and (vi) the Sanction Order, the Settlement Trust Order and all Ernst & Young Orders being final orders and not subject to further appeal or challenge, Ernst & Young shall pay the settlement amount as provided in the Ernst & Young Settlement to the trust established pursuant to the Settlement Trust Order (the “**Settlement Trust**”). Upon receipt of a certificate from Ernst & Young confirming it has paid the settlement amount to the Settlement Trust in accordance with the Ernst & Young Settlement and the trustee of the Settlement Trust confirming receipt of such settlement amount, the Monitor shall deliver to Ernst & Young a certificate (the “**Monitor’s Ernst & Young Settlement Certificate**”) stating that (i) Ernst & Young has confirmed that the settlement amount has been paid to the Settlement Trust in accordance with the Ernst & Young Settlement; (ii) the trustee of the Settlement Trust has confirmed that such settlement amount has been received by the Settlement Trust; and (iii) the Ernst & Young Release is in full force and effect in accordance with the Plan. The Monitor shall thereafter file the Monitor’s Ernst & Young Settlement Certificate with the Court.
- (b) Notwithstanding anything to the contrary herein, upon receipt by the Settlement Trust of the settlement amount in accordance with the Ernst & Young Settlement:

- (i) all Ernst & Young Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against Ernst & Young; (ii) section 7.3 hereof shall apply to Ernst & Young and the Ernst & Young Claims *mutatis mutandis* on the Ernst & Young Settlement Date; and (iii) none of the plaintiffs in the Class Actions shall be permitted to claim from any of the other Third Party Defendants that portion of any damages that corresponds to the liability of Ernst & Young, proven at trial or otherwise, that is the subject of the Ernst & Young Settlement.
- (c) In the event that the Ernst & Young Settlement is not completed in accordance with its terms, the Ernst & Young Release and the injunctions described in section 11.1(b) shall not become effective.

## 11.2 Named Third Party Defendants

- (a) Notwithstanding anything to the contrary in section 12.5(a) or 12.5(b) hereof, at any time prior to 10:00 a.m. (Toronto time) on December 6, 2012 or such later date as agreed in writing by the Monitor, SFC (if on or prior to the Plan Implementation Date) and the Initial Consenting Noteholders, Schedule "A" to this Plan may be amended, restated, modified or supplemented at any time and from time to time to add any Eligible Third Party Defendant as a "Named Third Party Defendant", subject in each case to the prior written consent of such Third Party Defendant, the Initial Consenting Noteholders, counsel to the Ontario Class Action Plaintiffs, the Monitor and, if occurring on or prior to the Plan Implementation Date, SFC. Any such amendment, restatement, modification and/or supplement of Schedule "A" shall be deemed to be effective automatically upon all such required consents being received. The Monitor shall: (A) provide notice to the service list of any such amendment, restatement, modification and/or supplement of Schedule "A"; (B) file a copy thereof with the Court; and (C) post an electronic copy thereof on the Website. All Affected Creditors shall be deemed to consent thereto any and no Court Approval thereof will be required.
- (b) Notwithstanding anything to the contrary herein, subject to: (i) the granting of the Sanction Order; (ii) the granting of the applicable Named Third Party Defendant Settlement Order; and (iii) the satisfaction or waiver of all conditions precedent contained in the applicable Named Third Party Defendant Settlement, the applicable Named Third Party Defendant Settlement shall be given effect in accordance with its terms. Upon receipt of a certificate (in form and in substance satisfactory to the Monitor) from each of the parties to the applicable Named Third Party Defendant Settlement confirming that all conditions precedent thereto have been satisfied or waived, and that any settlement funds have been paid and received, the Monitor shall deliver to the applicable Named Third Party Defendant a certificate (the "**Monitor's Named Third Party Settlement Certificate**") stating that (i) each of the parties to such Named Third Party Defendant Settlement has confirmed that all conditions precedent thereto have been satisfied or waived; (ii) any settlement funds have been paid and received; and (iii) immediately upon the delivery of the Monitor's Named Third Party

Settlement Certificate, the applicable Named Third Party Defendant Release will be in full force and effect in accordance with the Plan. The Monitor shall thereafter file the Monitor's Named Third Party Settlement Certificate with the Court.

- (c) Notwithstanding anything to the contrary herein, upon delivery of the Monitor's Named Third Party Settlement Certificate, any claims and Causes of Action shall be dealt with in accordance with the terms of the applicable Named Third Party Defendant Settlement, the Named Third Party Defendant Settlement Order and the Named Third Party Defendant Release. To the extent provided for by the terms of the applicable Named Third Party Defendant Release: (i) the applicable Causes of Action against the applicable Named Third Party Defendant shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against the applicable Named Third Party Defendant; and (ii) section 7.3 hereof shall apply to the applicable Named Third Party Defendant and the applicable Causes of Action against the applicable Named Third Party Defendant *mutatis mutandis* on the effective date of the Named Third Party Defendant Settlement.

## ARTICLE 12 GENERAL

### 12.1 Binding Effect

On the Plan Implementation Date:

- (a) the Plan will become effective at the Effective Time;
- (b) the Plan shall be final and binding in accordance with its terms for all purposes on all Persons named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (c) each Person named or referred to in, or subject to, the Plan will be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety and shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

### 12.2 Waiver of Defaults

- (a) From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of SFC then existing or previously committed by SFC, or caused by SFC, the commencement of the CCAA Proceedings by SFC, any matter pertaining to the CCAA Proceedings, any of the provisions in the Plan or steps contemplated in the Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, indenture, note, lease,

guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and SFC, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse SFC from performing its obligations under the Plan or be a waiver of defaults by SFC under the Plan and the related documents.

- (b) Effective on the Plan Implementation Date, any and all agreements that are assigned to Newco and/or to Newco II as part of the SFC Assets shall be and remain in full force and effect, unamended, as at the Plan Implementation Date, and no Person shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations under, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand against Newco, Newco II or any Subsidiary under or in respect of any such agreement with Newco, Newco II or any Subsidiary, by reason of:
- (i) any event that occurred on or prior to the Plan Implementation Date that would have entitled any Person thereto to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of SFC);
  - (ii) the fact that SFC commenced or completed the CCAA Proceedings;
  - (iii) the implementation of the Plan, or the completion of any of the steps, transactions or things contemplated by the Plan; or
  - (iv) any compromises, arrangements, transactions, releases, discharges or injunctions effected pursuant to the Plan or this Order.

### **12.3 Deeming Provisions**

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

### **12.4 Non-Consummation**

SFC reserves the right to revoke or withdraw the Plan at any time prior to the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders. If SFC so revokes or withdraws the Plan, or if the Sanction Order is not issued or if the Plan Implementation Date does not occur, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan, including the fixing or limiting to an amount certain any Claim, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against SFC or any other Person; (ii) prejudice in any manner the rights of SFC or any other Person in any further proceedings involving SFC; or (iii) constitute an admission of any sort by SFC or any other Person.

## 12.5 Modification of the Plan

- (a) SFC may, at any time and from time to time, amend, restate, modify and/or supplement the Plan with the consent of the Monitor and the Initial Consenting Noteholders, provided that: any such amendment, restatement, modification or supplement must be contained in a written document that is filed with the Court and:
  - (i) if made prior to or at the Meeting: (A) the Monitor, SFC or the Chair (as defined in the Meeting Order) shall communicate the details of any such amendment, restatement, modification and/or supplement to Affected Creditors and other Persons present at the Meeting prior to any vote being taken at the Meeting; (B) SFC shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court forthwith and in any event prior to the Court hearing in respect of the Sanction Order; and (C) the Monitor shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Website forthwith and in any event prior to the Court hearing in respect of the Sanction Order; and
  - (ii) if made following the Meeting: (A) SFC shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court; (B) the Monitor shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Website; and (C) such amendment, restatement, modification and/or supplement shall require the approval of the Court following notice to the Affected Creditors and the Trustees.
- (b) Notwithstanding section 12.5(a), any amendment, restatement, modification or supplement may be made by SFC: (i) if prior to the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders; and (ii) if after the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders and upon approval by the Court, provided in each case that it concerns a matter that, in the opinion of SFC, acting reasonably, is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction Order or to cure any errors, omissions or ambiguities and is not materially adverse to the financial or economic interests of the Affected Creditors or the Trustees.
- (c) Any amended, restated, modified or supplementary plan or plans of compromise filed with the Court and, if required by this section, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in the Plan.

## 12.6 Actions and Approvals of SFC after Plan Implementation

- (a) From and after the Plan Implementation Date, and for the purpose of this Plan only:

- (i) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, such agreement, waiver consent or approval may be provided by the Monitor; and
- (ii) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, and the Monitor has been discharged pursuant to an Order, such agreement, waiver consent or approval shall be deemed not to be necessary.

### **12.7 Consent of the Initial Consenting Noteholders**

For the purposes of this Plan, any matter requiring the agreement, waiver, consent or approval of the Initial Consenting Noteholders shall be deemed to have been agreed to, waived, consented to or approved by such Initial Consenting Noteholders if such matter is agreed to, waived, consented to or approved in writing by Goodmans LLP, provided that Goodmans LLP expressly confirms in writing (including by way of e-mail) to the applicable Person that it is providing such agreement, consent or waiver on behalf of Initial Consenting Noteholders. In addition, following the Plan Implementation Date, any matter requiring the agreement, waiver, consent or approval of the Initial Consenting Noteholders shall: (i) be deemed to have been given if agreed to, waived, consented to or approved by Initial Consenting Noteholders in their capacities as holders of Newco Shares, Newco Notes or Litigation Trust Interests (provided that they continue to hold such consideration); and (ii) with respect to any matter concerning the Litigation Trust or the Litigation Trust Claims, be deemed to be given if agreed to, waived, consented to or approved by the Litigation Trustee.

### **12.8 Claims Not Subject to Compromise**

Nothing in this Plan, including section 2.4 hereof, shall prejudice, compromise, release, discharge, cancel, bar or otherwise affect any: (i) Non-Released D&O Claims (except to the extent that such Non-Released D&O Claim is asserted against a Named Director or Officer, in which case section 4.9(g) applies); (ii) Section 5.1(2) D&O Claims or Conspiracy Claims (except that, in accordance with section 4.9(e) hereof, any Section 5.1(2) D&O Claims against Named Directors and Officers and any Conspiracy Claims against Named Directors and Officers shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person, other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s)); or (iii) any Claims that are not permitted to be compromised under section 19(2) of the *CCAA*.



### 12.9 Paramountcy

From and after the Effective Time on the Plan Implementation Date, any conflict between:

- (a) the Plan; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between any Person and SFC and/or the Subsidiaries as at the Plan Implementation Date,

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority.

### 12.10 Foreign Recognition

- (a) From and after the Plan Implementation Date, if requested by the Initial Consenting Noteholders or Newco, the Monitor (at the Monitor's election) or Newco (if the Monitor does not so elect) shall and is hereby authorized to seek an order of any court of competent jurisdiction recognizing the Plan and the Sanction Order and confirming the Plan and the Sanction Order as binding and effective in Canada, the United States, and any other jurisdiction so requested by the Initial Consenting Noteholders or Newco, as applicable.
- (b) Without limiting the generality of section 12.10(a), as promptly as practicable, but in no event later than the third Business Day following the Plan Implementation Date, a foreign representative of SFC (as agreed by SFC, the Monitor and the Initial Consenting Noteholders) (the "Foreign Representative") shall commence a proceeding in a court of competent jurisdiction in the United States seeking recognition of the Plan and the Sanction Order and confirming that the Plan and the Sanction Order are binding and effective in the United States, and the Foreign Representative shall use its best efforts to obtain such recognition order.

### 12.11 Severability of Plan Provisions

If, prior to the Sanction Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of SFC and with the consent of the Monitor and the Initial Consenting Noteholders, shall have the power to either (a) sever such term or provision from the balance of the Plan and provide SFC with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Plan Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that SFC proceeds with the implementation of the Plan, the remainder of the terms and provisions of

the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

#### **12.12 Responsibilities of the Monitor**

The Monitor is acting in its capacity as Monitor in the CCAA Proceeding and the Plan with respect to SFC and will not be responsible or liable for any obligations of SFC.

#### **12.13 Different Capacities**

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder, and will be affected hereunder, in each such capacity. Any action taken by or treatment of a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person, SFC, the Monitor and the Initial Consenting Noteholders in writing, or unless the Person's Claims overlap or are otherwise duplicative.

#### **12.14 Notices**

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

- (a) if to SFC or any Subsidiary:

Sino-Forest Corporation  
Room 3815-29 38/F, Sun Hung Kai Centre  
30 Harbour Road, Wanchai, Hong Kong

Attention: Mr. Judson Martin, Executive Vice-Chairman and Chief  
Executive Officer  
Fax: +852-2877-0062

with a copy by email or fax (which shall not be deemed notice) to:

Bennett Jones LLP  
One First Canadian Place, Suite 3400  
Toronto, ON M5X 1A4

Attention: Kevin J. Zych and Raj S. Sahni  
Email: zychk@bennettjones.com and sahnir@bennettjones.com  
Fax: 416-863-1716

(b) if to the Initial Consenting Noteholders:

c/o Goodmans LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, Ontario M5H 2S7

Attention: Robert Chadwick and Brendan O'Neill  
Email: rchadwick@goodmans.ca and boneill@goodmans.ca  
Fax: 416-979-1234

and with a copy by email or fax (which shall not be deemed notice) to:

Hogan Lovells International LLP  
11<sup>th</sup> Floor, One Pacific Place, 88 Queensway  
Hong Kong China

Attention: Neil McDonald  
Email: neil.mcdonald@hoganlovells.com  
Fax: 852-2219-0222

(c) if to the Monitor:

FTI Consulting Canada Inc.  
TD Waterhouse Tower  
79 Wellington Street West  
Suite 2010, P.O. Box 104  
Toronto, ON M5K 1G8

Attention: Greg Watson  
Email: greg.watson@fticonsulting.com  
Fax: (416) 649-8101

and with a copy by email or fax (which shall not be deemed notice) to:

Gowling Lafleur Henderson LLP  
1 First Canadian Place  
100 King Street West, Suite 1600  
Toronto, Ontario M5X 1G5

Attention: Derrick Tay  
Email: derrick.tay@gowlings.com  
Fax: (416) 862-7661

(d) if to Ernst & Young:

Ernst & Young LLP  
Ernst & Young Tower  
222 Bay Street  
P.O. Box 251

Toronto, ON M5K 1J7

Attention: Doris Stamml  
Email: doris.stamml@ca.ey.com  
Fax: (416) 943-[TBD]

and with a copy by email or fax (which shall not be deemed notice) to:

Lenczner Slaght Royce Smith Griffin  
130 Adelaide Street West, Suite 2600  
Toronto, Ontario M5H 3P5

Attention: Peter Griffin  
Email: pgriffin@litigate.com  
Fax: (416) 865-2921

or to such other address as any party may from time to time notify the others in accordance with this section. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. (Toronto time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

#### **12.15 Further Assurances**

SFC, the Subsidiaries and any other Person named or referred to in the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein.

**DATED** as of the 3<sup>rd</sup> day of December, 2012.

**SCHEDULE A****NAMED THIRD PARTY DEFENDANTS**

1. The Underwriters, together with their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such.
2. Ernst & Young LLP (Canada), Ernst & Young Global Limited and all other member firms thereof, together with their respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such, in the event that the Ernst & Young Settlement is not completed.
3. BDO Limited, together with its respective present and former affiliates, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns, excluding any Director or Officer and successors, administrators, heirs and assigns of any Director or Officer in their capacity as such.

**Schedule "B"****FORM OF MONITOR'S CERTIFICATE OF PLAN IMPLEMENTATION**

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

**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 A PLAN OF COMPROMISE OR  
ARRANGEMENT OF SINO-FOREST CORPORATION****MONITOR'S CERTIFICATE  
(Plan Implementation)**

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Plan of Compromise and Reorganization of Sino-Forest Corporation ("**SFC**") dated December 3, 2012 (the "**Plan**"), which is attached as Schedule "A" to the Order of the Honourable Mr. Justice Morawetz made in these proceedings on the [7<sup>th</sup>] day of December, 2012 (the "**Order**"), as such Plan may be further amended, varied or supplemented from time to time in accordance with the terms thereof.

Pursuant to paragraph 12 of the Order, FTI Consulting Canada Inc. (the "**Monitor**") in its capacity as Court-appointed Monitor of SFC delivers to SFC and Goodmans LLP this certificate and hereby certifies that:

1. The Monitor has received written notice from SFC and Goodmans LLP (on behalf of the Initial Consenting Noteholders) that the conditions precedent set out in section 9.1 of the Plan have been satisfied or waived in accordance with the terms of the Plan; and
2. The Plan Implementation Date has occurred and the Plan and the Plan Sanction Order are effective in accordance with their terms.

DATED at the City of Toronto, in the Province of Ontario, this ■ day of ■, 201■.

**FTI CONSULTING CANADA INC.**, in its capacity as Court-appointed Monitor of the Sino-Forest Corporation and not in its personal capacity

By: \_\_\_\_\_  
Name:  
Title:

**Schedule "C"**





Industry Canada Industrie Canada  
Canada Business Loi canadienne sur les  
Corporations Act sociétés par actions

FORM 14 FORMULAIRE 14  
ARTICLES OF REORGANIZATION CLAUSES DE RÉORGANISATION  
(SECTION 191) (ARTICLE 191)

1 -- Name of Corporation - Dénomination sociale de la société  Sino-Forest Corporation	2 -- Corporation No. - N° de la société  409023-3
--	---

3 -- in accordance with the order for reorganization, the articles of incorporation are amended as follows: Conformément à l'ordonnance de réorganisation, les statuts constitutifs sont modifiés comme suit:

Please see Schedule A attached hereto.

Signature	Printed Name - Nom en lettres moulées	4 -- Capacity of - En qualité de	5 -- Tel, N°. - N° de tél.
-----------	---------------------------------------	----------------------------------	----------------------------

FOR DEPARTMENTAL USE ONLY / À L'USAGE DU MINISTÈRE SEULEMENT

### Schedule A

3. In accordance with the order for reorganization, the articles of continuance of the Corporation dated June 25, 2002, as amended by articles of amendment dated June 22, 2004, are amended as follows:

(a) to decrease the minimum number of directors of the Corporation from three (3) directors to one (1) director;

(b) to create a new class of shares consisting of an unlimited number of "Class A Common Shares" having the following rights, privileges, restrictions and conditions:

The holders of Class A Common Shares are entitled:

(i) to two (2) votes per Class A Common Share at any meeting of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote;

(ii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution pro rata with the holders of the Common Shares; and

(iii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive any dividend declared by the directors of the Corporation and payable on the Class A Common Shares.

(c) to delete the rights, privileges, restrictions and conditions attaching to the Common Shares and to substitute therefor the following:

(1) The holders of Common Shares are entitled:

(i) to one (1) vote per Common Share at any meeting of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote;

(ii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution pro rata with the holders of the Class A Common Shares; and

(iii) subject to the rights, privileges, restrictions and conditions attaching to shares of any other class or series of shares of the Corporation, to receive any dividend declared by the directors of the Corporation and payable on the Common Shares.

(2) At a time to be determined by the board of directors of the Corporation, the Common Shares shall be cancelled and eliminated for no consideration whatsoever, and shall be of no further force and effect, whether surrendered for cancellation or otherwise, and the obligation of the Corporation thereunder or in any way related thereto shall be deemed to

be satisfied and discharged and the holders of the Common Shares shall have no further rights or interest in the Corporation on account thereof and the rights, privileges, restrictions and conditions attached to the Common Shares shall be deleted,

(d) to confirm that the authorized capital of the Corporation consists of an unlimited number of Class A Common Shares, an unlimited number of Common Shares and an unlimited number of Preference Shares, issuable in series.

**Schedule "D"**

1. Unaffected Claims Reserve:	\$1,500,000
2. Unresolved Claims Reserve for Defence Costs:	\$8,000,000

**IN THE MATTER OF THE COMPANIES CREDITORS' ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE  
MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION**

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceedings commenced in Toronto

**PLAN SANCTION ORDER**

**BENNETT JONES LLP**  
One First Canadian Place  
Suite 3400, P.O. Box 130  
Toronto, Ontario  
M5X 1A4

Rob Staley (LSUC #27115J)  
Kevin Zych (LSUC #33129T)  
Derek Bell (LSUC #43420J)  
Jonathan Bell (LSUC #55457P)  
Tel: 416-863-1200  
Fax: 416-863-1716

Lawyers for Sino-Forest Corporation

**TAB 2**

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 7041  
COURT FILE NO.: CV-12-9667-00CL  
DATE: 20121210

**SUPERIOR COURT OF JUSTICE – ONTARIO  
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF SINO-FOREST CORPORATION, Applicant**

**BEFORE: MORAWETZ J.**

**COUNSEL: Robert W. Staley, Kevin Zych, Derek J. Bell and Jonathan Bell, for Sino-  
Forest Corporation**

**Derrick Tay, Jennifer Stam, and Cliff Prophet for the Monitor, FTI  
Consulting Canada Inc.**

**Robert Chadwick and Brendan O'Neill, for the Ad Hoc Committee of  
Noteholders**

**Kenneth Rosenberg, Kirk Baert, Max Starnino, and A. Dimitri Lascaris, for  
the Class Action Plaintiffs**

**Won J. Kim, James C. Orr, Michael C. Spencer, and Megan B. McPhee, for  
Invesco Canada Ltd., Northwest & Ethical Investments LP and Comité  
Syndicale Nationale de Retraite Bâtirente Inc.**

**Peter Griffin, Peter Osborne and Shara Roy, for Ernst & Young Inc.**

**Peter Greene and Ken Dekkar, for BDO Limited**

**Edward A. Sellers and Larry Lowenstein, for the Board of Directors of Sino-  
Forest Corporation**

**John Pirie and David Gadsden, for Poyry (Beijing)**

**James Doris, for the Plaintiff in the New York Class Action**

**David Bish, for the Underwriters**

**Simon Bieber and Erin Pleet, for David Horsley**

**James Grout, for the Ontario Securities Commission**

- Page 2 -

Emily Cole and Joseph Marin, for Allen Chan

Susan E. Freedman and Brandon Barnes, for Kai Kit Poon

Paul Emerson, for ACE/Chubb

Sam Sasso, for Travelers

HEARD: DECEMBER 7, 2012

ENDORSEMENT

[1] The Applicant, Sino-Forest Corporation ("SFC"), seeks an order sanctioning the Plan of Compromise and Arrangement dated December 3, 2012, as modified, amended, varied or supplemented in accordance with its terms (the "Plan") pursuant to section 6 of the *Companies' Creditors Arrangement Act* ("CCAA"), and ancillary relief as set out in the proposed sanction order (the "Sanction Order").

[2] The Plan is supported by:

- (a) the Monitor;
- (b) SFC's largest creditors, the Ad Hoc Committee of Noteholders (the "Ad Hoc Committee");
- (c) Ernst & Young LLP ("E&Y");
- (d) BDO Limited ("BDO"); and
- (e) the Underwriters.

The Ad Hoc Committee of Purchasers of the Applicant's Securities (the "Ad Hoc Securities Purchasers Committee" including the "Class Action Plaintiffs") has agreed not to oppose the Plan.

[3] The Plan was approved by an overwhelming majority of Affected Creditors voting on the Plan in person or by proxy. In total, 99% in number, and greater than 99% in value, of those Affected Creditors voting favoured the Plan.

[4] Invesco Canada Ltd. ("Invesco"), Northwest & Ethical Investments LP and Comité Syndicale Nationale de Retraite Bâtirente Inc. (collectively, the "Funds") object to the proposed Sanction Order. The Funds request an adjournment of the motion for a period of one month. Alternatively, the Funds request that the Plan be altered so as to remove Article 11 "Settlement of Claims Against Third Party Defendants".



- Page 3 -

[5] This endorsement fully addresses the adjournment request of the Funds. In this endorsement, defined terms have been taken from the motion record.

[6] The Funds are institutional, public and private equity funds that owned 3,085,786 common shares of SFC on June 2, 2011. The Funds alleged that they suffered substantial losses after the market in SFC shares collapsed following a public issuance of a report suggesting that fraud permeated SFC's assets and operations.

[7] Following the collapse of SFC's share price, class actions were commenced against SFC, certain of its directors and officers, the auditors, the Underwriters and other expert firms.

[8] On January 6, 2012, Perell J. granted carriage of the class action to Koskie Minsky LLP and Siskinds LLP ("Class Counsel"). The class has not been certified.

[9] Counsel to the Funds takes the position that Class Counsel does not represent the Funds.

[10] In his affidavit sworn December 6, 2012, Mr. Eric J. Adelson, Senior Vice President, Secretary and head of Legal of Invesco stated that on December 3, 2012, Class Counsel and E&Y announced that they had entered into a settlement by which E&Y would pay \$117 million into a "Trust" formed as part of the CCAA proceedings, in return for releases of all claims that could be brought against E&Y by any person in connection with SFC.

[11] Mr. Adelson also states that on December 3, 2012, an Amended Plan was issued that, for the first time in the CCAA proceedings, contained provisions for settlement of claims against Third Party Defendants (Article 11), including specific provisions concerning the settlement by and releases for E&Y, and also allowing other Third Party Defendants to avail themselves of similar provisions for unspecified settlements and releases in the future.

[12] Mr. Adelson acknowledges that on December 5, 2012, counsel for E&Y advised Invesco's counsel that the parties had decided not to request court approval of the proposed E&Y Settlement at the motion scheduled for December 7, 2012. However, Mr. Adelson takes the position that provisions of the Plan, even apart from the E&Y Settlement, appear to affect the legal and practical ability of Invesco and other investors to seek adjudication of their claims against defendants in the SFC litigation on the merits, rendering it vital that sufficient time be provided to fully understand the present matters.

[13] Mr. Adelson also details "preliminary reasons for objecting to the Plan's release provisions":

15. If the effect of the Plan is to allow a Third Party Defendant (such as E&Y) to settle its liability to investors in connection with Sino-Forest through a settlement agreement with Class Counsel, and to bind the investors to that settlement without giving them the opportunity to opt out and pursue their claims on the merits outside the Class Action, then Invesco would strenuously object and oppose approval of such an arrangement.

16. The Class Action has not been certified, so Invesco does not view Class Counsel, with whom we have no other relationship, as authorized to represent its

- Page 4 -

interests in connection with Sino-Forest. Our views have not been heard and our interests have not been represented in connection with the Plan and the proposed settlement. It is my understanding that Invesco, as an investor with claims against Sino-Forest and the other defendants in the Class Action, is not a "creditor" with respect to the Plan. Invesco accordingly submits that it would be contrary to its rights to bind it to a release or a settlement involving Third Party Defendants unless Invesco directly participated in proceedings or unless in certified class proceedings it was given the opportunity to opt out. We do not understand the CCAA to authorize releases of third parties, that is, parties other than the Applicant and certain officers and directors under certain circumstances, as part of a Sanction Order. Invesco objects to any such provisions or results in this matter.

[14] Counsel to the Funds made specific reference to Article 11.2 of the Plan which, counsel submits, if approved, establishes an open-ended mechanism for eligible Third Party Defendants, defined to include the 11 Underwriters named as defendants in the class action, BDO and/or E&Y (if its proposed settlement is not already concluded), to enter into a "Named Third Party Defendant Settlement" with "one or more of (i) counsel to the plaintiffs in any of the class actions...".

[15] Counsel to the Funds further submits that under Articles 11.2 (b) and (c), once a settlement is concluded among the specified parties, the settling defendant will obtain releases and bar orders in the CCAA proceeding, preventing the continued litigation of any SFC-related claims against them. If a settlement is reached in the future, counsel submits that the CCAA release and bar orders will remain available notwithstanding that the CCAA process may have concluded. Accordingly, counsel submits that it appears that these provisions purport to vest authority in the parties as described to enter into settlements that may have the effect of barring any claimants (such as the Funds) from prosecuting SFC-related claims against the Underwriters, BDO and/or E&Y, subject to the approval of this court. This bar, counsel submits, would be imposed without compliance with establishes prerequisites of the *Class Proceedings Act* ("CPA") – including class certification, a fairness hearing, approval by the court supervising the class action, and provision of opt-out rights – necessary to impose releases or other restrictions on class members who are not named parties before that court.

[16] Stated more succinctly, counsel submits that the Plan appears designed to unnecessarily fetter the powers of a future court, namely, the class action case management court, by assigning to the CCAA court the power to approve and effectuate class-wide settlements without regard to established statutory and rule-based procedural safeguards found in the CPA.

[17] The adjournment request was opposed, primarily on the basis that the Funds had misunderstood the terms of the Plan. Oral submissions were made by counsel on behalf of the Monitor, SFC, Ad Hoc Noteholders, SFC Board, Ontario Securities Commission, E&Y and the Class Action Plaintiffs. Specifically, these parties submit there was a misunderstanding on the part of the Funds as to what was before the court for approval and, perhaps more importantly, what was not before the court for approval.

[18] Counsel to the Monitor also submits that SFC has limited funds and time is critical.

- Page 5 -

[19] The thrust of the arguments of the combined forces opposing the adjournment request is that the court is not being asked, at this time, to approve the settlement. Rather, what is before the court is a motion to approve the Plan, which includes approval of a framework with respect to a proposed settlement of claims against Third Party Defendants.

[20] Essentially, if certain conditions are met and further court approvals and orders are obtained, it is conceivable that E&Y will get a release. However, such a release is not being requested at this time. Further, it is not a condition of Plan Implementation that the E&Y matter be settled.

[21] To support this position, counsel referenced a number of provisions in the Plan including:

1. The defined term "Settlement Trust Order", which means a court order that establishes the Settlement Trust (section 11.1 (a) of the Plan) and approves the E&Y Settlement and the E&Y Release...;
2. Section 8.2, which outlines the effect the Sanction Order and includes a reference in Section 8.2 (z) that the E&Y Release shall become effective on the E&Y Settlement Date in the manner set forth in section 11.1;
3. Section 11.1, which details settlement of claims against Third Party Defendants and specifically E&Y. This provision sets out a number of pre-conditions to the required payment to be made by E&Y as provided for in the E&Y Settlement. These pre-conditions are:
  - (i) the granting of the Sanction Order;
  - (ii) the issuance of the Settlement Trust Order;
  - (iii) the granting of an order under Chapter 15 of the United States Bankruptcy Code recognizing and enforcing the Sanction Order and the Settlement Trust Order in the United States;
  - (iv) any other order necessary to give effect to the E&Y Settlement;
  - (v) the fulfillment of all conditions precedent in the E&Y Settlement and the fulfillment by the Ontario Class Action Plaintiffs of all of their obligations thereunder; and
  - (vi) the Sanction Order, the Settlement Trust Order and all E&Y Orders being final orders and not subject to further appeal or challenge.

[22] Having reviewed these documents, it is apparent that approval of the E&Y Settlement is not before the court on this motion and no release is being provided to E&Y as a result of this motion. In the event all of the pre-conditions are satisfied and if all of the required court approvals and orders are issued, the position of the Funds could be affected. However, the Funds will have the opportunity to make argument on such hearings.

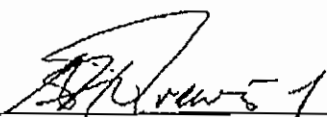
- Page 6 -

[23] I have also reviewed the form of Sanction Order being requested specifically paragraph 40. This provision provides that the E&Y Settlement and the release of the E&Y Claims pursuant to section 11.1 of the Plan shall become effective upon the satisfaction of certain conditions precedent, including court approval of the terms of the E&Y Settlement, the terms and scope of the E&Y Release and the Settlement Trust Order and the granting of the Settlement Trust Order.

[24] Paragraph 41 of the draft Sanction Order also provides that any Named Third Party Defendant Settlement, Named Third Party Defendant Settlement Order and Named Third Party Defendant Release, the terms and scope of which remain in each case subject to further court approval in accordance with the Plan, shall only become effective after the Plan Implementation Date and upon the satisfaction of the conditions precedent, set forth in section 11.2 of the Plan.

[25] The requested Sanction Order confirms my view that the arguments put forth by counsel on behalf of the Funds are premature and can be addressed on the return of the motion to approve the specific settlements and releases.

[26] In the result, I have not been persuaded that the adjournment is necessary. The motion for the adjournment is accordingly denied.

  
MORAWETZ J.

Date: December 10, 2012

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 7055  
COURT FILE NO.: CV-12-9667-00CL  
DATE: 20121210

**SUPERIOR COURT OF JUSTICE – ONTARIO  
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF SINO-FOREST CORPORATION, Applicant**

**BEFORE: MORAWETZ J.**

**COUNSEL: Robert W. Staley, Kevin Zych, Derek J. Bell and Jonathan Bell, for Sino-  
Forest Corporation**

**Derrick Tay, Jennifer Stam, and Cliff Prophet for the Monitor, FTI  
Consulting Canada Inc.**

**Robert Chadwick and Brendan O'Neill, for the Ad Hoc Committee of  
Noteholders**

**Kenneth Rosenberg, Kirk Baert, Max Starnino, and A. Dimitri Lascaris, for  
the Class Action Plaintiffs**

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**John Pirie and David Gadsden, for Poyry (Beijing)**

**James Doris, for the Plaintiff in the New York Class Action**

**David Bish, for the Underwriters**

**Simon Bieber and Erin Pleet, for David Horsley**

**James Grout, for the Ontario Securities Commission**

- Page 2 -

Emily Cole and Joseph Marin, for Allen Chan

Susan E. Freedman and Brandon Barnes, for Kai Kit Poon

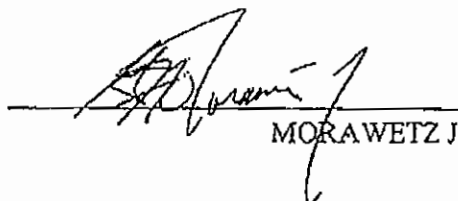
Paul Emerson, for ACE/Chubb

Sam Sasso, for Travelers

HEARD: DECEMBER 7, 2012

ENDORSEMENT

[1] For reasons to follow, the motion is granted and an order shall issue sanctioning the Plan substantially in the form of the draft Sanction Order.

  
MORAWETZ J.

Date: December 10, 2012

**TAB 3**

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 7050  
COURT FILE NO.: CV-12-9667-00CL  
DATE: 20121212

**SUPERIOR COURT OF JUSTICE – ONTARIO  
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION, Applicant**

**BEFORE: MORAWETZ J.**

**COUNSEL: Robert W. Staley, Kevin Zych, Derek J. Bell and Jonathan Bell, for Sino-Forest Corporation**

**Derrick Tay, Jennifer Stam, and Cliff Prophet for the Monitor, FTI Consulting Canada Inc.**

**Robert Chadwick and Brendan O'Neill, for the Ad Hoc Committee of Noteholders**

**Kenneth Rosenberg, Kirk Baert, Max Starnino, and A. Dimitri Lascaris, for the Class Action Plaintiffs**

**Won J. Kim, James C. Orr, Michael C. Spencer, and Megan B. McPhee, for Invesco Canada Ltd., Northwest & Ethical Investments LP and Comité Syndicale Nationale de Retraite Bâtirente Inc.**

**Peter Griffin, Peter Osborne and Shara Roy, for Ernst & Young Inc.**

**Peter Greene and Ken Dekkar, for BDO Limited**

**Edward A. Sellers and Larry Lowenstein, for the Board of Directors of Sino-Forest Corporation**

**John Pirie and David Gadsden, for Poyry (Beijing)**

**James Doris, for the Plaintiff in the New York Class Action**

**David Bish, for the Underwriters**

**Simon Bieber and Erin Plcet, for David Horsley**

**James Grout, for the Ontario Securities Commission**



- Page 2 -

Emily Cole and Joseph Marin, for Allen Chan

Susan E. Freedman and Brandon Barnes, for Kai Kit Poon

Paul Emerson, for ACE/Chubb

Sam Sasso, for Travelers

**HEARD: DECEMBER 7, 2012**

**ENDORSED: DECEMBER 10, 2012**

**REASONS: DECEMBER 12, 2012**

### ENDORSEMENT

[1] On December 10, 2012, I released an endorsement granting this motion with reasons to follow. These are those reasons.

#### Overview

[2] The Applicant, Sino-Forest Corporation ("SFC"), seeks an order sanctioning (the "Sanction Order") a plan of compromise and reorganization dated December 3, 2012 as modified, amended, varied or supplemented in accordance with its terms (the "Plan") pursuant to section 6 of the *Companies' Creditors Arrangement Act* ("CCAA").

[3] With the exception of one party, SFC's position is either supported or is not opposed.

[4] Invesco Canada Ltd., Northwest & Ethical Investments LP and Comité Syndicale Nationale de Retraite Bâtirente Inc. (collectively, the "Funds") object to the proposed Sanction Order. The Funds requested an adjournment for a period of one month. I denied the Funds' adjournment request in a separate endorsement released on December 10, 2012 (*Re Sino-Forest Corporation*, 2012 ONSC 7041). Alternatively, the Funds requested that the Plan be altered so as to remove Article 11 "Settlement of Claims Against Third Party Defendants".

[5] The defined terms have been taken from the motion record.

[6] SFC's counsel submits that the Plan represents a fair and reasonable compromise reached with SFC's creditors following months of negotiation. SFC's counsel submits that the Plan, including its treatment of holders of equity claims, complies with CCAA requirements and is consistent with this court's decision on the equity claims motions (the "Equity Claims Decision") (2012 ONSC 4377, 92 C.B.R. (5th) 99), which was subsequently upheld by the Court of Appeal for Ontario (2012 ONCA 816).

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[7] Counsel submits that the classification of creditors for the purpose of voting on the Plan was proper and consistent with the CCAA, existing law and prior orders of this court, including the Equity Claims Decision and the Plan Filing and Meeting Order.

[8] The Plan has the support of the following parties:

- (a) the Monitor;
- (b) SFC's largest creditors, the Ad Hoc Committee of Noteholders (the "Ad Hoc Noteholders");
- (c) Ernst & Young LLP ("E&Y");
- (d) BDO Limited ("BDO"); and
- (e) the Underwriters.

[9] The Ad Hoc Committee of Purchasers of the Applicant's Securities (the "Ad Hoc Securities Purchasers Committee", also referred to as the "Class Action Plaintiffs") has agreed not to oppose the Plan. The Monitor has considered possible alternatives to the Plan, including liquidation and bankruptcy, and has concluded that the Plan is the preferable option.

[10] The Plan was approved by an overwhelming majority of Affected Creditors voting in person or by proxy. In total, 99% in number, and greater than 99% in value, of those Affected Creditors voting favoured the Plan.

[11] Options and alternatives to the Plan have been explored throughout these proceedings. SFC carried out a court-supervised sales process (the "Sales Process"), pursuant to the sales process order (the "Sales Process Order"), to seek out potential qualified strategic and financial purchasers of SFC's global assets. After a canvassing of the market, SFC determined that there were no qualified purchasers offering to acquire its assets for qualified consideration ("Qualified Consideration"), which was set at 85% of the value of the outstanding amount owing under the notes (the "Notes").

[12] SFC's counsel submits that the Plan achieves the objective stated at the commencement of the CCAA proceedings (namely, to provide a "clean break" between the business operations of the global SFC enterprise as a whole ("Sino-Forest") and the problems facing SFC, with the aspiration of saving and preserving the value of SFC's underlying business for the benefit of SFC's creditors).

### **Facts**

[13] SFC is an integrated forest plantation operator and forest products company, with most of its assets and the majority of its business operations located in the southern and eastern regions of the People's Republic of China ("PRC"). SFC's registered office is located in Toronto and its principal business office is located in Hong Kong.

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[14] SFC is a holding company with six direct subsidiaries (the "Subsidiaries") and an indirect majority interest in Greenheart Group Limited (Bermuda), a publicly-traded company. Including SFC and the Subsidiaries, there are 137 entities that make up Sino-Forest: 67 companies incorporated in PRC, 58 companies incorporated in British Virgin Islands, 7 companies incorporated in Hong Kong, 2 companies incorporated in Canada and 3 companies incorporated elsewhere.

[15] On June 2, 2011, Muddy Waters LLC ("Muddy Waters"), a short-seller of SFC's securities, released a report alleging that SFC was a "near total fraud" and a "Ponzi scheme". SFC subsequently became embroiled in multiple class actions across Canada and the United States and was subjected to investigations and regulatory proceedings by the Ontario Securities Commission ("OSC"), Hong Kong Securities and Futures Commission and the Royal Canadian Mounted Police.

[16] SFC was unable to file its 2011 third quarter financial statements, resulting in a default under its note indentures.

[17] Following extensive arm's length negotiations between SFC and the Ad Hoc Noteholders, the parties agreed on a framework for a consensual resolution of SFC's defaults under its note indentures and the restructuring of its business. The parties ultimately entered into a restructuring support agreement (the "Support Agreement") on March 30, 2012, which was initially executed by holders of 40% of the aggregate principal amount of SFC's Notes. Additional consenting noteholders subsequently executed joinder agreements, resulting in noteholders representing a total of more than 72% of aggregate principal amount of the Notes agreeing to support the restructuring.

[18] The restructuring contemplated by the Support Agreement was commercially designed to separate Sino-Forest's business operations from the problems facing the parent holding company outside of PRC, with the intention of saving and preserving the value of SFC's underlying business. Two possible transactions were contemplated:

- (a) First, a court-supervised Sales Process to determine if any person or group of persons would purchase SFC's business operations for an amount in excess of the 85% Qualified Consideration;
- (b) Second, if the Sales Process was not successful, a transfer of six immediate holding companies (that own SFC's operating business) to an acquisition vehicle to be owned by Affected Creditors in compromise of their claims against SFC. Further, the creation of a litigation trust (including funding) (the "Litigation Trust") to enable SFC's litigation claims against any person not otherwise released within the CCAA proceedings, preserved and pursued for the benefit of SFC's stakeholders in accordance with the Support Agreement (concurrently, the "Restructuring Transaction").

[19] SFC applied and obtained an initial order under the CCAA on March 30, 2012 (the "Initial Order"), pursuant to which a limited stay of proceedings ("Stay of Proceedings") was also granted in respect of the Subsidiaries. The Stay of Proceedings was subsequently extended

by orders dated May 31, September 28, October 10, and November 23, 2012, and unless further extended, will expire on February 1, 2013.

[20] On March 30, 2012, the Sales Process Order was granted. While a number of Letters of Intent were received in respect of this process, none were qualified Letters of Intent, because none of them offered to acquire SFC's assets for the Qualified Consideration. As such, on July 10, 2012, SFC announced the termination of the Sales Process and its intention to proceed with the Restructuring Transaction.

[21] On May 14, 2012, this court granted an order (the "Claims Procedure Order") which approved the Claims Process that was developed by SFC in consultation with the Monitor.

[22] As of the date of filing, SFC had approximately \$1.8 billion of principal amount of debt owing under the Notes, plus accrued and unpaid interest. As of May 15, 2012, Noteholders holding in aggregate approximately 72% of the principal amount of the Notes, and representing more than 66.67% of the principal amount of each of the four series of Notes, agreed to support the Plan.

[23] After the Muddy Waters report was released, SFC and certain of its officers, directors and employees, along with SFC's former auditors, technical consultants and Underwriters involved in prior equity and debt offerings, were named as defendants in a number of proposed class action lawsuits. Presently, there are active proposed class actions in four jurisdictions: Ontario, Quebec, Saskatchewan and New York (the "Class Action Claims").

[24] *The Labourers v. Sino-Forest Corporation Class Action* (the "Ontario Class Action") was commenced in Ontario by Koskie Minsky LLP and Siskinds LLP. It has the following two components: first, there is a shareholder claim (the "Shareholder Class Action Claims") brought on behalf of current and former shareholders of SFC seeking damages in the amount of \$6.5 billion for general damages, \$174.8 million in connection with a prospectus issued in June 2007, \$330 million in relation to a prospectus issued in June 2009, and \$319.2 million in relation to a prospectus issued in December 2009; second, there is a \$1.8 billion noteholder claim (the "Noteholder Class Action Claims") brought on behalf of former holders of SFC's Notes. The noteholder component seeks damages for loss of value in the Notes.

[25] The Quebec Class Action is similar in nature to the Ontario Class Action, and both plaintiffs filed proof of claim in this proceeding. The plaintiffs in the Saskatchewan Class Action did not file a proof of claim in this proceeding, whereas the plaintiffs in the New York Class Action did file a proof of claim in this proceeding. A few shareholders filed proofs of claim separately, but no proof of claim was filed by the Funds.

[26] In this proceeding, the Ad Hoc Securities Purchasers Committee - represented by Siskinds LLP, Koskie Minsky, and Paliare Roland Rosenberg Rothstein LLP - has appeared to represent the interests of the shareholders and noteholders who have asserted Class Action Claims against SFC and others.

[27] Since 2000, SFC has had the following two auditors ("Auditors"): E&Y from 2000 to 2004 and 2007 to 2012 and BDO from 2005 to 2006.

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[28] The Auditors have asserted claims against SFC for contribution and indemnity for any amounts paid or payable in respect of the Shareholder Class Action Claims, with each of the Auditors having asserted claims in excess of \$6.5 billion. The Auditors have also asserted indemnification claims in respect the Noteholder Class Action Claims.

[29] The Underwriters have similarly filed claims against SFC seeking contribution and indemnity for the Shareholder Class Action Claims and Noteholder Class Action Claims.

[30] The Ontario Securities Commission ("OSC") has also investigated matters relating to SFC. The OSC has advised that they are not seeking any monetary sanctions against SFC and are not seeking monetary sanctions in excess of \$100 million against SFC's directors and officers (this amount was later reduced to \$84 million).

[31] SFC has very few trade creditors by virtue of its status as a holding company whose business is substantially carried out through its Subsidiaries in PRC and Hong Kong.

[32] On June 26, 2012, SFC brought a motion for an order declaring that all claims made against SFC arising in connection with the ownership, purchase or sale of an equity interest in SFC and related indemnity claims to be "equity claims" (as defined in section 2 of the CCAA). These claims encapsulate the commenced Shareholder Class Action Claims asserted against SFC. The Equity Claims Decision did not purport to deal with the Noteholder Class Action Claims.

[33] In reasons released on July 27, 2012, I granted the relief sought by SFC in the Equity Claims Decision, finding that the "the claims advanced in the shareholder claims are clearly equity claims." The Auditors and Underwriters appealed the decision and on November 23, 2012, the Court of Appeal for Ontario dismissed the appeal.

[34] On August 31, 2012, an order was issued approving the filing of the Plan (the "Plan Filing and Meeting Order").

[35] According to SFC's counsel, the Plan endeavours to achieve the following purposes:

- (a) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all affected claims;
- (b) to effect the distribution of the consideration provided in the Plan in respect of proven claims;
- (c) to transfer ownership of the Sino-Forest business to Newco and then to Newco II, in each case free and clear of all claims against SFC and certain related claims against the Subsidiaries so as to enable the Sino-Forest business to continue on a viable, going concern basis for the benefit of the Affected Creditors; and
- (d) to allow Affected Creditors and Noteholder Class Action Claimants to benefit from contingent value that may be derived from litigation claims to be advanced by the litigation trustee.

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[36] Pursuant to the Plan, the shares of Newco ("Newco Shares") will be distributed to the Affected Creditors. Newco will immediately transfer the acquired assets to Newco II.

[37] SFC's counsel submits that the Plan represents the best available outcome in the circumstances and those with an economic interest in SFC, when considered as a whole, will derive greater benefit from the implementation of the Plan and the continuation of the business as a going concern than would result from bankruptcy or liquidation of SFC. Counsel further submits that the Plan fairly and equitably considers the interests of the Third Party Defendants, who seek indemnity and contribution from SFC and its Subsidiaries on a contingent basis, in the event that they are found to be liable to SFC's stakeholders. Counsel further notes that the three most significant Third Party Defendants (E&Y, BDO and the Underwriters) support the Plan.

[38] SFC filed a version of the Plan in August 2012. Subsequent amendments were made over the following months, leading to further revised versions in October and November 2012, and a final version dated December 3, 2012 which was voted on and approved at the meeting. Further amendments were made to obtain the support of E&Y and the Underwriters. BDO availed itself of those terms on December 5, 2012.

[39] The current form of the Plan does not settle the Class Action Claims. However, the Plan does contain terms that would be engaged if certain conditions are met, including if the class action settlement with E&Y receives court approval.

[40] Affected Creditors with proven claims are entitled to receive distributions under the Plan of (i) Newco Shares, (ii) Newco notes in the aggregate principal amount of U.S. \$300 million that are secured and guaranteed by the subsidiary guarantors (the "Newco Notes"), and (iii) Litigation Trust Interests.

[41] Affected Creditors with proven claims will be entitled under the Plan to: (a) their *pro rata* share of 92.5% of the Newco Shares with early consenting noteholders also being entitled to their *pro rata* share of the remaining 7.5% of the Newco Shares; and (b) their *pro rata* share of the Newco Notes. Affected Creditors with proven claims will be concurrently entitled to their *pro rata* share of 75% of the Litigation Trust Interests; the Noteholder Class Action Claimants will be entitled to their *pro rata* share of the remaining 25% of the Litigation Trust Interests.

[42] With respect to the indemnified Noteholder Class Action Claims, these relate to claims by former noteholders against third parties who, in turn, have alleged corresponding indemnification claims against SFC. The Class Action Plaintiffs have agreed that the aggregate amount of those former noteholder claims will not exceed the Indemnified Noteholder Class Action Limit of \$150 million. In turn, indemnification claims of Third Party Defendants against SFC with respect to indemnified Noteholder Class Action Claims are also limited to the \$150 million Indemnified Noteholder Class Action Limit.

[43] The Plan includes releases for, among others, (a) the subsidiary; (b) the Underwriters' liability for Noteholder Class Action Claims in excess of the Indemnified Noteholder Class Action Limit; (c) E&Y in the event that all of the preconditions to the E&Y settlement with the Ontario Class Action plaintiffs are met; and (d) certain current and former directors and officers of SFC (collectively, the "Named Directors and Officers"). It was emphasized that non-released

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D&O Claims (being claims for fraud or criminal conduct), conspiracy claims and section 5.1 (2) D&O Claims are not being released pursuant to the Plan.

[44] The Plan also contemplates that recovery in respect of claims of the Named Directors and Officers of SFC in respect of any section 5.1 (2) D&O Claims and any conspiracy claims shall be directed and limited to insurance proceeds available from SFC's maintained insurance policies.

[45] The meeting was carried out in accordance with the provisions of the Plan Filing and Meeting Order and that the meeting materials were sent to stakeholders in the manner required by the Plan Filing and Meeting Order. The Plan supplement was authorized and distributed in accordance with the Plan Filing and Meeting Order.

[46] The meeting was ultimately held on December 3, 2012 and the results of the meeting were as follows:

- (a) the number of voting claims that voted on the Plan and their value for and against the Plan;
- (b) The results of the Meeting were as follows:
- a. the number of Voting Claims that voted on the Plan and their value for and against the Plan:

	Number of Votes	%	Value of Votes	%
Total Claims Voting For	250	98.81%	\$ 1,465,766,204	99.97%
Total Claims Voting Against	3	1.19%	\$ 414,087	0.03%
Total Claims Voting	253	100.00%	\$ 1,466,180,291	100.00%

- b. the number of votes for and against the Plan in connection with Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims up to the Indemnified Noteholder Limit:

	Vote For	Vote Against	Total Votes
Class Action Indemnity Claims	4	1	5

- c. the number of Defence Costs Claims votes for and against the Plan and their value:

	Number of Votes	%	Value of Votes	%
Total Claims Voting For	12	92.31%	\$ 8,375,016	96.10%
Total Claims Voting Against	1	7.69%	\$ 340,000	3.90%
Total Claims Voting	13	100.00%	\$ 8,715,016	100.00%

- d. the overall impact on the approval of the Plan if the count were to include Total Unresolved Claims (including Defence Costs Claims) and, in order to demonstrate the "worst case scenario" if the entire \$150 million of the Indemnified Noteholder Class Action Limit had been voted a "no" vote (even

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though 4 of 5 votes were "yes" votes and the remaining "no" vote was from BDO, who has now agreed to support the Plan):

	Number of Votes	%	Value of Votes	%
Total Claims Voting For	263	98.50%	\$ 1,474,149,082	90.72%
Total Claims Voting Against	4	1.50%	\$ 150,754,087	9.28%
Total Claims Voting	267	100.00%	\$ 1,624,903,169	100.00%

[47] E&Y has now entered into a settlement ("E&Y Settlement") with the Ontario plaintiffs and the Quebec plaintiffs, subject to several conditions and approval of the E&Y Settlement itself.

[48] As noted in the endorsement dated December 10, 2012, which denied the Funds' adjournment request, the E&Y Settlement does not form part of the Sanction Order and no relief is being sought on this motion with respect to the E&Y Settlement. Rather, section 11.1 of the Plan contains provisions that provide a framework pursuant to which a release of the E&Y claims under the Plan will be effective if several conditions are met. That release will only be granted if all conditions are met, including further court approval.

[49] Further, SFC's counsel acknowledges that any issues relating to the E&Y Settlement, including fairness, continuing discovery rights in the Ontario Class Action or Quebec Class Action, or opt out rights, are to dealt with at a further court-approval hearing.

#### Law and Argument

[50] Section 6(1) of the CCAA provides that courts may sanction a plan of compromise if the plan has achieved the support of a majority in number representing two-thirds in value of the creditors.

[51] To establish the court's approval of a plan of compromise, the debtor company must establish the following:

- (a) there has been strict compliance with all statutory requirements and adherence to previous orders of the court;
- (b) nothing has been done or purported to be done that is not authorized by the CCAA; and
- (c) the plan is fair and reasonable.

(See *Re Canadian Airlines Corporation*, 2000 ABQB 442, leave to appeal denied, 2000 ABCA 238, aff'd 2001 ABCA 9, leave to appeal to SCC refused July 21, 2001, [2001] S.C.C.A. No. 60 and *Re Nelson Financial Group Limited*, 2011 ONSC 2750, 79 C.B.R. (5th) 307).

[52] SFC submits that there has been strict compliance with all statutory requirements.

[53] On the initial application, I found that SFC was a "debtor company" to which the CCAA applies. SFC is a corporation continued under the *Canada Business Corporations Act* ("CBCA") and is a "company" as defined in the CCAA. SFC was "reasonably expected to run out of



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liquidity within a reasonable proximity of time” prior to the Initial Order and, as such, was and continues to be insolvent. SFC has total claims and liabilities against it substantially in excess of the \$5 million statutory threshold.

[54] The Notice of Creditors’ Meeting was sent in accordance with the Meeting Order and the revised Noteholder Mailing Process Order and, further, the Plan supplement and the voting procedures were posted on the Monitor’s website and emailed to each of the ordinary Affected Creditors. It was also delivered by email to the Trustees and DTC, as well as to Globic who disseminated the information to the Registered Noteholders. The final version of the Plan was emailed to the Affected Creditors, posted on the Monitor’s website, and made available for review at the meeting.

[55] SFC also submits that the creditors were properly classified at the meeting as Affected Creditors constituted a single class for the purposes of considering the voting on the Plan. Further, and consistent with the Equity Claims Decision, equity claimants constituted a single class but were not entitled to vote on the Plan. Unaffected Creditors were not entitled to vote on the Plan.

[56] Counsel submits that the classification of creditors as a single class in the present case complies with the commonality of interests test. See *Re Canadian Airlines Corporation*.

[57] Courts have consistently held that relevant interests to consider are the legal interests of the creditors hold *qua* creditor in relationship to the debtor prior to and under the plan. Further, the commonality of interests should be considered purposively, bearing in mind the object of the CCAA, namely, to facilitate reorganizations if possible. See *Stelco Inc.* (2005), 78 O.R. (3d) 241 (Ont. C.A.), *Re Canadian Airlines Corporation*, and *Re Nortel Networks Corporation* (2009) O.J. No. 2166 (Ont. S.C.). Further, courts should resist classification approaches that potentially jeopardize viable plans.

[58] In this case, the Affected Creditors voted in one class, consistent with the commonality of interests among Affected Creditors, considering their legal interests as creditors. The classification was consistent with the Equity Claims Decision.

[59] I am satisfied that the meeting was properly constituted and the voting was properly carried out. As described above, 99% in number, and more than 99% in value, voting at the meeting favoured the Plan.

[60] SFC’s counsel also submits that SFC has not taken any steps unauthorized by the CCAA or by court orders. SFC has regularly filed affidavits and the Monitor has provided regular reports and has consistently opined that SFC is acting in good faith and with due diligence. The court has so ruled on this issue on every stay extension order that has been granted.

[61] In *Nelson Financial*, I articulated relevant factors on the sanction hearing. The following list of factors is similar to those set out in *Re Camwest Global Communications Corporation*, 2010 ONSC 4209, 70 C.B.R. (5th) 1:

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1. The claims must have been properly classified, there must be no secret arrangements to give an advantage to a creditor or creditor; the approval of the plan by the requisite majority of creditors is most important;
2. It is helpful if the Monitor or some other disinterested person has prepared an analysis of anticipated receipts and liquidation or bankruptcy;
3. If other options or alternatives have been explored and rejected as workable, this will be significant;
4. Consideration of the oppression rights of certain creditors; and
5. Unfairness to shareholders.
6. The court will consider the public interest.

[62] The Monitor has considered the liquidation and bankruptcy alternatives and has determined that it does not believe that liquidation or bankruptcy would be a preferable alternative to the Plan. There have been no other viable alternatives presented that would be acceptable to SFC and to the Affected Creditors. The treatment of shareholder claims and related indemnity claims are, in my view, fair and consistent with CCAA and the Equity Claims Decision.

[63] In addition, 99% of Affected Creditors voted in favour of the Plan and the Ad Hoc Securities Purchasers Committee have agreed not to oppose the Plan. I agree with SFC's submission to the effect that these are exercises of those parties' business judgment and ought not to be displaced.

[64] I am satisfied that the Plan provides a fair and reasonable balance among SFC's stakeholders while simultaneously providing the ability for the Sino-Forest business to continue as a going concern for the benefit of all stakeholders.

[65] The Plan adequately considers the public interest. I accept the submission of counsel that the Plan will remove uncertainty for Sino-Forest's employees, suppliers, customers and other stakeholders and provide a path for recovery of the debt owed to SFC's non-subordinated creditors. In addition, the Plan preserves the rights of aggrieved parties, including SFC through the Litigation Trust, to pursue (in litigation or settlement) those parties that are alleged to share some or all of the responsibility for the problems that led SFC to file for CCAA protection. In addition, releases are not being granted to individuals who have been charged by OSC staff, or to other individuals against whom the Ad Hoc Securities Purchasers Committee wishes to preserve litigation claims.

[66] In addition to the consideration that is payable to Affected Creditors, Early Consent Noteholders will receive their *pro rata* share of an additional 7.5% of the Newco Shares ("Early Consent Consideration"). Plans do not need to provide the same recovery to all creditors to be considered fair and reasonable and there are several plans which have been sanctioned by the courts featuring differential treatment for one creditor or one class of creditors. See, for example, *Camvest Global* and *Re Armbro Enterprises Inc.* (1993), 22 C.B.R. (3d) 80 (Ont. Gen.

Div.). A common theme permeating such cases has been that differential treatment does not necessarily result in a finding that the Plan is unfair, as long as there is a sufficient rational explanation.

[67] In this case, SFC's counsel points out that the Early Consent Consideration has been a feature of the restructuring since its inception. It was made available to any and all noteholders and noteholders who wished to become Early Consent Noteholders were invited and permitted to do so until the early consent deadline of May 15, 2012. I previously determined that SFC made available to the noteholders all information needed to decide whether they should sign a joinder agreement and receive the Early Consent Consideration, and that there was no prejudice to the noteholders in being put to that election early in this proceeding.

[68] As noted by SFC's counsel, there was a rational purpose for the Early Consent Consideration. The Early Consent Noteholders supported the restructuring through the CCAA proceedings which, in turn, provided increased confidence in the Plan and facilitated the negotiations and approval of the Plan. I am satisfied that this feature of the Plan is fair and reasonable.

[69] With respect to the Indemnified Noteholder Class Action Limit, I have considered SFC's written submissions and accept that the \$150 million agreed-upon amount reflects risks faced by both sides. The selection of a \$150 million cap reflects the business judgment of the parties making assessments of the risk associated with the noteholder component of the Ontario Class Action and, in my view, is within the "general range of acceptability on a commercially reasonable basis". See *Re Ravelston Corporation*, (2005) 14 C.B.R. (5<sup>th</sup>) 207 (Ont. S.C). Further, as noted by SFC's counsel, while the New York Class Action Plaintiffs filed a proof of claim, they have not appeared in this proceeding and have not stated any opposition to the Plan, which has included this concept since its inception.

[70] Turning now to the issue of releases of the Subsidiaries, counsel to SFC submits that the unchallenged record demonstrates that there can be no effective restructuring of SFC's business and separation from its Canadian parent if the claims asserted against the Subsidiaries arising out of or connected to claims against SFC remain outstanding. The Monitor has examined all of the releases in the Plan and has stated that it believes that they are fair and reasonable in the circumstances.

[71] The Court of Appeal in *ATB Financial v. Metcalfe & Mansfield Alternative Investments II Corporation*, 2008 ONCA 587, 45 C.B.R. (5<sup>th</sup>) 163 stated that the "court has authority to sanction plans incorporating third party releases that are reasonably related to the proposed restructuring".

[72] In this case, counsel submits that the release of Subsidiaries is necessary and essential to the restructuring of SFC. The primary purpose of the CCAA proceedings was to extricate the business of Sino-Forest, through the operation of SFC's Subsidiaries (which were protected by the Stay of Proceedings), from the cloud of uncertainty surrounding SFC. Accordingly, counsel submits that there is a clear and rational connection between the release of the Subsidiaries in the Plan. Further, it is difficult to see how any viable plan could be made that does not cleanse the Subsidiaries of the claims made against SFC.

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[73] Counsel points out that the Subsidiaries who are to have claims against them released are contributing in a tangible and realistic way to the Plan. The Subsidiaries are effectively contributing their assets to SFC to satisfy SFC's obligations under their guarantees of SFC's note indebtedness, for the benefit of the Affected Creditors. As such, counsel submits the releases benefit SFC and the creditors generally.

[74] In my view, the basis for the release falls within the guidelines previously set out by this court in *ATB Financiac, Re Nortel Networks*, 2010 ONSC 1708, and *Re Kitchener Frame Limited*, 2012 ONSC 234, 86 C.B.R. (5th) 274. Further, it seems to me that the Plan cannot succeed without the releases of the Subsidiaries. I am satisfied that the releases are fair and reasonable and are rationally connected to the overall purpose of the Plan.

[75] With respect to the Named Directors and Officers release, counsel submits that this release is necessary to effect a greater recovery for SFC's creditors, rather than having those directors and officers assert indemnity claims against SFC. Without these releases, the quantum of the unresolved claims reserve would have to be materially increased and, to the extent that any such indemnity claim was found to be a proven claim, there would have been a corresponding dilution of consideration paid to Affected Creditors.

[76] It was also pointed out that the release of the Named Directors and Officers is not unlimited; among other things, claims for fraud or criminal conduct, conspiracy claims, and section 5.1 (2) D&O Claims are excluded.

[77] I am satisfied that there is a reasonable connection between the claims being compromised and the Plan to warrant inclusion of this release.

[78] Finally, in my view, it is necessary to provide brief comment on the alternative argument of the Funds, namely, the Plan be altered so as to remove Article 11 "Settlement of Claims Against Third Party Defendants". The Plan was presented to the meeting with Article 11 in place. This was the Plan that was subject to the vote and this is the Plan that is the subject of this motion. The alternative proposed by the Funds was not considered at the meeting and, in my view, it is not appropriate to consider such an alternative on this motion.

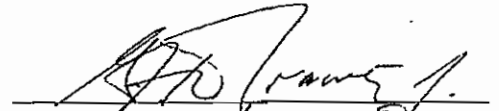
#### **Disposition**

[79] Having considered the foregoing, I am satisfied that SFC has established that:

- (i) there has been strict compliance with all statutory requirements and adherence to the previous orders of the court;
- (ii) nothing has been done or purported to be done that is not authorized by the CCAA; and
- (iii) the Plan is fair and reasonable.

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[80] Accordingly, the motion is granted and the Plan is sanctioned. An order has been signed substantially in the form of the draft Sanction Order.



MORAWETZ J.

**Date:** December 12, 2012

**TAB 4**

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

**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 A PLAN OR COMPROMISE OR  
ARRANGEMENT OF SINO-FOREST CORPORATION**

**AFFIDAVIT OF REBECCA L. WISE  
(SWORN APRIL 23, 2012)**

I, Rebecca L. Wise, of the City of Toronto in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am an associate with the law firm of Torys LLP, lawyers for the Defendants, Credit Suisse Securities (Canada) Inc., Credit Suisse Securities (USA) LLC, TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated (successor by merger to Banc of America Securities LLC), Canaccord Financial Ltd., and Maison Placements Canada Inc. (the "Underwriters") in *The Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v. Sino-Forest Corporation et al.*, CV-11-431153-00CP, (the "Sino-Forest Class Action"), and, as such, have knowledge of the matters contained in this affidavit.

**The Sino-Forest Class Action**

2. The Plaintiffs in the Sino-Forest Class Action claim damages against various parties in connection with alleged misrepresentations made by Sino-Forest Corporation ("Sino-Forest") between 2006-2011.

3. The claims asserted by the Plaintiffs involve, in part, alleged misrepresentations made by Sino-Forest in its equity and note offerings in the primary market through prospectuses and offering memoranda.

4. In particular, the following prospectuses for three equity offerings are in issue in the Sino-Forest Class Action: Sino-Forest's Short Form Prospectuses, dated June 5, 2007, June 1, 2009, and December 10, 2009. The Plaintiffs claim general damages in respect of the June 2007 offering in the amount of \$175,835,000. The Plaintiffs claim general damages in respect of the June 2009 offering in the amount of \$330,000,000. Lastly, the Plaintiffs claim general damages in respect of the December 2009 offering in the amount of \$319,200,000.

5. In addition, the following offering and exchange offer memoranda for four note offerings are in issue in the Sino-Forest Class Action: Sino-Forest's Offering and Exchange Offer Memoranda, dated July 17, 2008, June 24, 2009, December 10, 2009 and October 14, 2010. The Plaintiffs claim general damages in the amount of US\$345,000,000 in respect of the July 17, 2008 offering. The Plaintiffs claim general damages in the amount of US\$400,000,000 in respect of the June 24, 2009 offering. The Plaintiffs claim general damages in the amount of US\$460,000,000 in respect of the December 10, 2009 offering. Finally, the Plaintiffs claim general damages in the amount of US\$600,000,000 in respect of the October 14, 2010 offering.

6. The alleged misrepresentations made by Sino-Forest in connection with these seven offerings in the primary market form the basis upon which general and other damages are claimed by the Plaintiffs against the Underwriters.

7. Not all of the Underwriters participated in each of the equity and note offerings at issue in the Sino-Forest Class Action. The Plaintiffs have therefore set out in their statement of claim against which Underwriters they claim damages for each offering.

#### **Indemnifications Provided to the Underwriters Under Agreements Related to the Offerings in Issue**

8. In connection with the three equity offerings described in paragraph 4 above, certain Underwriters have entered into related agreements with Sino-Forest and certain of its subsidiaries. In connection with the four note offerings described in paragraph 5 above, certain Underwriters (defined in the relevant agreements as either Initial Purchasers or Dealer Manager and Solicitation Agent) have entered into related agreements with Sino-Forest, as well as with certain of its subsidiaries, affiliates and/or related companies (the "Sino-Forest Subsidiary Companies"). These related agreements are as follows:



- (a) the Underwriting Agreement, dated May 28, 2007, in connection with the June 2007 equity offering, a copy of which is attached as Exhibit "A" hereto;
- (b) the Purchase Agreement, dated July 17, 2008, in connection with the July 2008 note offering, a copy of which is attached as Exhibit "B" hereto;
- (c) the Underwriting Agreement, dated May 22, 2009, in connection with the June 2009 equity offering, a copy of which is attached as Exhibit "C" hereto;
- (d) the Dealer Manager and Solicitation Agent Agreements, both dated June 24, 2009, in connection with June/July 2009 exchange note offering, copies of which are attached together as Exhibit "D" hereto;
- (e) the Purchase Agreement, dated December 10, 2009, in connection with the December 2009 note offering, a copy of which is attached as Exhibit "E" hereto;
- (f) the Underwriting Agreement, dated December 10, 2009, in connection with the December 2009 equity offering, a copy of which is attached as Exhibit "F" hereto; and
- (g) the Purchase Agreement, dated October 14, 2010, in connection with the October 2010 note offering, a copy of which is attached as Exhibit "G" hereto.

9. I refer below to the agreements described in subparagraphs 8(a)-(g) above as the "Related Agreements".

10. The Related Agreements among Sino-Forest, the Sino-Forest Subsidiary Companies and the Underwriters contain provisions in which Sino Forest (and, in the cases of the Related Agreements for the four note offerings, except for the Solicitation Agent Agreement, also the Sino-Forest Subsidiary Companies) have agreed to indemnify and hold harmless the Underwriters (the "Indemnities") in connection with an array of matters that could arise from the seven offerings described in paragraphs 4 and 5 above.

11. Schedule "1" to my affidavit lists in chart format the offerings, the relevant indemnity/contribution provisions in the Related Agreements, the specific Sino-Forest Subsidiary Companies, if any, in addition to Sino-Forest, that are parties to indemnity provisions

in each of the Related Agreements and the Underwriters that are parties to each of the Related Agreements.

12. In particular, Sino-Forest and the Sino-Forest Subsidiary Companies have jointly and severally agreed to indemnify and hold harmless the Underwriters that are parties to the following Related Agreements: the Purchase Agreements, dated July 17, 2008, December 10, 2009 and October 14, 2010, and the Dealer Manager Agreement, dated June 24, 2009, in connection with an array of matters that could arise from the four note offerings.

### Stay of Proceedings

13. On March 30, 2012, Sino-Forest sought and obtained from the Ontario Superior Court of Justice an Initial Order (the "Initial Order") under the *Companies' Creditors Arrangement Act* (the "CCAA"), which granted a stay of proceedings in respect of Sino-Forest (the "Stay of Proceedings") and other relief under the CCAA.

14. The Stay of Proceedings extends to, *inter alia*, Sino-Forest, as well as its directors and officers (the "D&Os"), who are also defendants in the Sino-Forest Class Action.

15. Subsequent to the Initial Order, Bennett Jones LLP, counsel for Sino-Forest and some of the individual defendants in the Sino-Forest Class Action wrote a letter (the "Bennett Jones Letter") to the Honourable Mr. Justice Paul M. Perell, the presiding judge in the Sino-Forest Class Action stating, *inter alia*, that, as a result of the Stay of Proceedings, Sino and all of the individual defendants do not intend to participate in the Sino-Forest Class Action. A copy of the Bennett Jones Letter is attached as Exhibit "H" hereto.

16. Further to the Bennett Jones Letter, Osler, Hoskin & Harcourt LLP, counsel for certain current and former directors of Sino-Forest in the Sino-Forest Class Action, namely Mr. William E. Ardell, Mr. James P. Bowland, Mr. James M.E. Hyde and Mr. Garry J. West (collectively, the "Directors"), wrote a letter (the "Osler Letter") to the Honourable Mr. Justice Paul M. Perell stating, *inter alia*, that, as a result of the Stay of Proceedings, the Directors do not intend to participate in the Sino-Forest Class Action. A copy of the Osler Letter is attached as Exhibit "I" hereto.

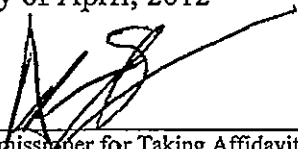
17. Also further to the Bennett Jones Letter, Miller Thomson LLP, counsel for Mr. Allen Chan, the former CEO of Sino-Forest, wrote a letter (the "Miller Thomson Letter") to the Honourable Mr. Justice Paul M. Perell stating, *inter alia*, that, as a result of the Stay of Proceedings, Mr. Chan does not intend to participate in the Sino-Forest Class Action. A copy of the Miller Thomson Letter is attached as Exhibit "J" hereto.

18. If the Stay of Proceedings continues and is not extended to the Underwriters and the Sino-Forest Class Action proceeds, then (absent any further order) it appears that the effect of the Initial Order may be as follows:

- (a) Sino-Forest and the D&Os will have no obligation to make production of documents;
- (b) Sino-Forest and the D&Os will not be examined for discovery;
- (c) Sino-Forest and the D&Os will not attend any pre-trial and will therefore not participate in any court or private mediation associated with the pre-trial; and
- (d) Sino-Forest and the D&Os will not give evidence at trial.

19. It is likely that the principal, though not the only, defences available to a defendant in a matter such as the Sino-Forest Class Action include demonstrating: (i) there were no misrepresentations of the kind alleged; and (ii) the defendant is not liable for any misrepresentations because it was duly diligent. Requiring the remaining defendants to develop either of these defences in a case where the public company and its directors and senior managers are absent (in the manner described in paragraph 18 above) will, based on the assumptions that the company and its directors and senior managers have evidence that bears upon these defences and would be expected to be the primary parties addressing the accuracy of disclosure, prejudice such remaining defendants (including the Underwriters) due to (without any further order): (a) the absence of relevant evidence with which to assess and prove defences; and (b) the absence of ongoing indemnification from Sino-Forest.

SWORN BEFORE ME at the City of  
Toronto, in the Province of Ontario  
this 23rd day of April, 2012



Commissioner for Taking Affidavits  
(or as may be)

**ADAM MÆRCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.



Rebecca L. Wise

## SCHEDULE "1"

**Summary of Indemnities Provided by Sino-Forest Corporation and the Sino Subsidiary  
Companies in the Note Offerings in Issue in the Sino-Forest Class Action**

<b>OFFERING IN ISSUE  US DOLLARS</b>	<b>INDEMNITY/ CONTRIBUTION SECTION(S) OF THE RELATED AGREEMENTS</b>	<b>SINO-FOREST CORPORATION- SIDE PARTIES TO THE INDEMNITY IN THE RELATED AGREEMENTS</b>	<b>UNDERWRITER PARTIES TO THE RELATED AGREEMENTS</b>
<p>July 17, 2008  \$345,000,000</p>	<p>Sections 7 and 8, Purchase Agreement dated July 17, 2008</p>	<p>Sino-Forest Corporation Sino-Panel Holdings Limited Sino-Panel (Asia) Inc. Sino-Panel (Gaoyao) Ltd. SFR (China) Inc. Sino-Wood Partners, Ltd. Sino-Forest Resources Inc. Suri-Wood Inc. Sino-Plantation Limited Sino-Wood (Guangxi) Limited Sino-Wood (Jiangxi) Limited Sino-Wood (Guangdong) Limited Sino-Global Holdings Inc. Sino-Panel (North East China) Limited Sinowin Investments Limited Sino-Panel [Hunan] Limited Sino-Panel [Xiangxi] Limited Sino-Panel Bio-Science Limited Sino-Panel (Guangzhou) Limited Sino-Panel [Suzhou] Limited Sino-Panel (Yunnan) Limited Sino-Panel (Guangxi) Limited Sino-Panel (Guizhou) Limited Sino-Panel (Qinzhou) Limited Sino-Panel (Shaoyang) Limited Sino-Panel (Yongzhou) Limited Sino-Panel (Fujian) Limited</p>	<p>Merrill, Lynch, Pierce, Fenner &amp; Smith Incorporated ("MLPFS")  Credit Suisse Securities (USA) LLC</p>
<p>June 24, 2009  \$212,330,000 of \$300,000,000 Exchanged</p>	<p>Section 12, Dealer Manager Agreement, dated June 24, 2009</p>	<p>Sino-Forest Corporation Sino-Panel Holdings Limited (BVI) Sino-Panel (Asia) Inc. (BVI) Sino-Panel (Gaoyao) Ltd. (BVI) SFR (China) Inc. (BVI) Sino-Wood Partners, Limited (HK) Sino-Forest Resources Inc. (BVI) Suri-Wood Inc. (BVI) Sino-Plantation Limited (HK) Sino-Wood (Guangxi) Limited (HK) Sino-Wood (Jiangxi) Limited (HK) Sino-Wood (Guangdong) Limited (HK)</p>	<p>Credit Suisse Securities (USA) LLC</p>

		<p>Sino-Wood (Fujian) Limited (HK)  Sino-Forest Investments Limited (BVI)  Sino-Global Holdings Inc. (BVI)  Grandeur Winway Ltd. (BVI)  Sinowin Investments Ltd. (BVI)  Sino Limited (Cayman Islands)  Sino-Forest Bio-Science Limited (formerly known as: Sino-Two Limited (BVI))  Express Point Holdings Limited (BVI)  Smart Sure Enterprises Limited (BVI)  Ace Supreme International Limited (BVI)  Glory Billion International Limited (BVI)  Amplemax Worldwide Limited (BVI)  Expert Bonus Investment Limited (BVI)  Sino-Panel (Yunnan) Limited (BVI)  Sino-Panel (Guangxi) Limited (BVI)  Sino-Panel (North East China) Limited (BVI)  Sino-Panel (Xiangxi) Limited (formerly known as: Rich Base Worldwide Limited (BVI))  Sino-Panel (Hunan) Limited (formerly known as: Comtech Universal Limited (BVI))  Sino-Panel (Suzhou) Limited (formerly known as: Pacific Harvest Holdings Limited (BVI))  Sino-Panel (Guangzhou) Limited (BVI)  Sino-Panel (North Sea) Limited (BVI)  Sino-Panel (Guizhou) Limited (BVI)  Sino-Panel (Huaihua) Limited (BVI)  Sino-Panel (Qinzhou) Limited (formerly known as: Sino-Panel (Jiayu) Ltd. (BVI))  Sino-Panel (Yongzhou) Limited (BVI)  Sino-Panel (Fujian) Limited (BVI)  Sino-Panel (Shaoyang) Limited (BVI)</p>	
	Section 11, Solicitation Agent Agreement, dated June 24, 2009	Sino-Forest Corporation	Credit Suisse Securities (USA) LLC
December 10, 2009 \$460,000,000	Sections 7 and 8, Purchase Agreement, dated December 10, 2009	<p>Sino-Forest Corporation  Sino-Panel Holdings Limited (BVI)  Sino-Panel (Asia) Inc. (BVI)  Sino-Panel (Gaoyao) Ltd. (BVI)  SFR (China) Inc. (BVI)  Sino-Wood Partners, Limited (H.K.)  Sino-Forest Resources Inc. (BVI)  Suri-Wood Inc. (BVI)  Sino-Plantation Limited (H.K.)  Sino-Wood (Guangxi) Limited (H.K.)  Sino-Wood (Jiangxi) Limited (H.K.)  Sino-Wood (Guangdong) Limited (H.K.)  Sino-Global Holdings Inc. (BVI)  Sinowin Investments Limited (BVI)  Sino-Panel (North East China) Limited (BVI)  Sino-Panel [Hunan] Limited (BVI)</p>	<p>Credit Suisse Securities (USA) LLC  MLPFS  TD Securities Inc.</p>

		<p>Sino-Panel [Xiangxi] Limited (BVI)  Sino-Forest Bio-Science Limited (BVI)  (formerly known as: Sino-Two Limited)  Sino-Panel (Guangzhou) Limited (BVI)  Sino-Panel [Suzhou] Limited (BVI)  Sino-Panel (Yunnan) Limited (BVI)  Sino-Panel (Guangxi) Limited (BVI)  Sino-Panel (Guizhou) Limited (BVI)  Sino-Panel (Qinzhou) Limited (BVI)  Sino-Panel (Shaoyang) Limited (BVI)  Sino-Panel (Yongzhou) Limited (BVI)  Sino-Panel (Fujian) Limited (BVI)  Grandeur Winway Ltd. (BVI)  Sinowood Limited (Cayman Islands)  Sino-Forest Investments Limited (BVI)  Sino-Wood (Fujian) Limited (HK)  Sino-Panel (North Sea) Limited (BVI)  Sino-Panel (Huaihua) Limited (BVI)  Amplemax Worldwide Limited (BVI)  Ace Supreme International Limited (BVI)  Express Point Holdings Limited (BVI)  Glory Billion International Limited (BVI)  Smart Sure Enterprises Limited (BVI)  Expert Bonus Investment Limited (BVI)  Dynamic Profit Holdings Limited (BVI)</p>	
<p>October 14, 2010  \$600,000,000</p>	<p>Sections 7 and 8,  Purchase Agreement,  dated October 14,  2010</p>	<p>Sino-Forest Corporation  Sino-Panel Holdings Limited (BVI)  Sino-Panel (Asia) Inc. (BVI)  Sino-Panel (Gaoyao) Ltd. (BVI)  SFR (China) Inc. (BVI)  Sino-Wood Partners, Limited (H.K.)  Sino-Forest Resources Inc. (BVI)  Suri-Wood Inc. (BVI)  Sino-Plantation Limited (H.K.)  Sino-Wood (Guangxi) Limited (H.K.)  Sino-Wood (Jiangxi) Limited (H.K.)  Sino-Wood (Guangdong) Limited (H.K.)  Sino-Global Holdings Inc. (BVI)  Sinowin Investments Limited (BVI)  Sino-Panel (North East China) Limited (BVI)  Sino-Panel [Hunan] Limited (BVI) (formerly  known as: Comtech Universal Limited)  Sino-Panel [Xiangxi] Limited (BVI) (formerly  known as: Rich Base Worldwide Limited)  Sino-Forest Bio-Science Limited (BVI)  (formerly known as: Sino-Two Limited)  Sino-Panel (Guangzhou) Limited (BVI)  Sino-Panel [Suzhou] Limited (BVI) (formerly  known as: Pacific Harvest Holdings Limited)  Sino-Panel (Yunnan) Limited (BVI)  Sino-Panel (Guangxi) Limited (BVI)  Sino-Panel (Guizhou) Limited (BVI)  Sino-Panel (Qinzhou) Limited (BVI) (formerly  known as: Sino-Panel (Jiayu) Ltd.)</p>	<p>Credit Suisse Securities  (USA) LLC    Banc of America  Securities LLC  (now MLPFS)</p>

		<p> Sino-Panel (Shaoyang) Limited (BVI)  Sino-Panel (Yongzhou) Limited (BVI)  Sino-Panel (Fujian) Limited (BVI)  Grandeur Winway Ltd. (BVI)  Sinowood Limited (Cayman Islands)  Sino-Forest Investments Limited (BVI)  Sino-Wood (Fujian) Limited (HK)  Sino-Panel (North Sea) Limited (BVI)  Sino-Panel (Huaihua) Limited (BVI)  Amplemax Worldwide Limited (BVI)  Ace Supreme International Limited (BVI)  Express Point Holdings Limited (BVI)  Glory Billion International Limited (BVI)  Smart Sure Enterprises Limited (BVI)  Expert Bonus Investment Limited (BVI)  Dynamic Profit Holdings Limited (BVI)  Alliance Max Limited (BVI)  Brain Force Limited (BVI)  Cheer Gold Worldwide Limited (BVI)  General Excel Limited (BVI)  Harvest Wonder Worldwide Limited (BVI)  Homix Limited (BVI)  Mega Harvest International Limited (BVI)  Poly Market Limited (BVI)  Prime Kinetic Limited (BVI)  Regal Win Capital Limited (BVI)  Rich Choice Worldwide Limited (BVI)  Sino-Forest International (Barbados)  Corporation (Barbados)  Sino-Global Management Consulting Inc.  (BVI)  Sino-Panel (China) Nursery Limited (BVI)  Sino-Panel (Russia) Limited (BVI)  Sino-Wood Trading Limited (BVI)  Sino-Panel Trading Limited (BVI)  Trillion Edge Limited (BVI)  Value Quest International Limited (BVI)  Well Keen Worldwide Limited (BVI) </p>	
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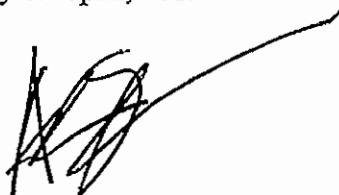
**Summary of Indemnities Provided by Sino-Forest Corporation in the  
Equity Offerings in Issue in the Sino-Forest Class Action**

<b><i>OFFERING IN ISSUE</i></b>	<b><i>INDEMNITY/ CONTRIBUTION SECTION OF THE RELATED AGREEMENTS</i></b>	<b><i>SINO-FOREST CORPORATION- SIDE PARTIES TO THE INDEMNITY</i></b>	<b><i>UNDERWRITER PARTIES TO THE RELATED AGREEMENTS</i></b>
June 5, 2007 \$201,135,000	Section 9, Underwriting Agreement, dated May 28, 2007	Sino-Forest Corporation	Dundee Securities Corporation CIBC World Markets Inc. Merrill Lynch Canada Inc. Credit Suisse Securities (Canada) Inc.  Also: UBS Securities Canada Inc. and Haywood Securities Inc.
June 1, 2009 \$379,500,000	Section 9, Underwriting Agreement, dated May 22, 2009	Sino-Forest Corporation	Credit Suisse Securities (Canada) Inc. Dundee Securities Corporation Merrill Lynch Canada Inc. Scotia Capital Inc. TD Securities Inc.
December 10, 2009 \$367,080,000	Section 9, Underwriting Agreement, December 10, 2009	Sino-Forest Corporation	Credit Suisse Securities (Canada) Inc. TD Securities Inc. Dundee Securities Corporation RBC Dominion Securities Inc. Scotia Capital Inc. CIBC World Markets Inc. Merrill Lynch Canada Inc. Canaccord Financial Ltd. Maison Placements Canada Inc.

**TAB A**

**TAB A**

This is Exhibit "A" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'AS', with a long horizontal flourish extending to the right.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.

## UNDERWRITING AGREEMENT

May 28, 2007

Dundee Securities Corporation  
1 Adelaide Street East  
Suite 2700  
Toronto, Ontario  
M5C 2V9

Dear Sirs and Mesdames:

SINO-FOREST CORPORATION, a *Canada Business Corporations Act* corporation (the "Company"), proposes to issue and sell to Dundee Securities Corporation ("Dundee"), CIBC World Markets Inc., Merrill Lynch Canada, Inc., Credit Suisse Securities (Canada) Inc. ("Credit Suisse"), UBS Securities Canada Inc. and Haywood Securities Inc. (collectively, the "Underwriters") 13,900,000 common shares in the capital of the Company (the "Firm Shares"). The Company also proposes to issue and sell to the Underwriters not more than an additional 2,000,000 Common Shares in the capital of the Company (the "Optional Shares") if and to the extent that the Underwriters shall have determined to exercise the right to purchase such Optional Shares granted to the Underwriters in Section 3 hereof. The Firm Shares and the Optional Shares are hereinafter collectively referred to as the "Offered Shares".

We also understand that the Company is eligible to file, and will prepare and file a preliminary short form prospectus and a (final) short form prospectus and all other necessary documents in order to qualify the Offered Shares and the Over-Allotment Option for distribution to the public in each of the provinces of Canada other than Québec (the "Offering").

The following are the terms and conditions of the agreement among the Company and the Underwriters:

1. *Definitions.* In this Agreement, unless otherwise defined herein, the following words and terms shall have the following meanings:
  - (a) "1933 Act" means the United States *Securities Act of 1933*, as amended.
  - (b) "1934 Act" means the United States *Securities Exchange Act of 1934*, as amended.
  - (c) "Affiliates" or "affiliates" has the meaning specified in Rule 501(b) of Regulation D under the 1933 Act.

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- (d) **"Business Day"** means a day which is not a Saturday, a Sunday or a statutory or civic holiday in the City of Toronto, Ontario, the City of New York, New York or the City of Hong Kong, SAR.
- (e) **"Canadian Securities Laws"** means the securities laws, regulations, rules, published national and local instruments, policy statements, notices, blanket rulings and orders, discretionary rulings and orders applicable to the Company, and prescribed forms, collectively, of each of the Qualifying Jurisdictions and all rules, by-laws and regulations governing the TSX, all as the same are in effect at the date hereof and as amended, supplemented or replaced from time to time.
- (f) **"CJVs"** means, collectively, Jiangxi Jiachang Forestry Development Co. Ltd. and Heyuan Jiahe Forestry Development Co., Ltd., each a Sino-foreign cooperative joint venture enterprise with limited liability established in the PRC under the relevant PRC laws.
- (g) **"Claim"** has the meaning specified in Section 9(a).
- (h) **"Closing Date"** has the meaning specified in Section 4.
- (i) **"Closing Time"** means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date, as the Company and the Underwriters, may agree.
- (j) **"Common Shares"** means the common shares in the capital of the Company.
- (k) **"Company's Auditors"** means BDO McCabe Lo Limited.
- (l) **"Company's Canadian Counsel"** means the law firm of Aird & Berlis LLP.
- (m) **"Company's Counsel"** means, collectively, Company's Canadian Counsel, Company's PRC Counsel, Company's Hong Kong Counsel and Company's U.S. Counsel.
- (n) **"Company's Hong Kong Counsel"** means Linklaters in Hong Kong.
- (o) **"Company's PRC Counsel"** means the law firm of Jingtian & Gongcheng.
- (p) **"Company's U.S. Counsel"** means the law firm of Weil, Gotshal & Manges LLP.

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- (q) **"Condition of the Company"** means the business, affairs, operations, assets, properties, prospects, liabilities (contingent or otherwise), capital, earnings or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.
- (r) **"Defaulted Securities"** has the meaning specified in Section 10.
- (s) **"Directed Selling Efforts"** means **"directed selling efforts"** as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Agreement, it means, subject to the exclusions from the definition of **"directed selling efforts"** contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering.
- (t) **"distribution"** and **"distribution to the public"** shall have the respective meanings ascribed thereto in the Canadian Securities Laws.
- (u) **"Final International Offering Memorandum"** means the final international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Prospectus and certain additional pages, as amended or supplemented.
- (v) **"Final MRRS Decision Document"** means the document issued in accordance with MRRS evidencing that a final receipt has been issued in respect of the Prospectus by each of the Securities Regulators.
- (w) **"Foreign Companies"** means, collectively, Sino-Forest Resources Inc. and Suri-Wood Inc.
- (x) **"Foreign Parties"** means, collectively, Sino-Wood (Jiangxi) Limited and Sino-Wood (Guangdong) Limited.
- (y) **"including"** means including, without limitation.
- (z) **"Indemnified Party"** has the meaning specified in Section 9(a).
- (aa) **"International Offering"** means the distribution of the Offered Shares by the Underwriters and their affiliates outside of Canada.

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- (bb) "Joint Venture Documents" means the cooperative joint venture contract and the articles of association, pursuant to which a CJV was organized.
- (cc) "MRRS" means National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms*.
- (dd) "Master Agreements" means the agreements between certain Subsidiaries of the Company with their respective authorized intermediaries, pursuant to which the Company appoints the authorized intermediaries to manage its wood chips trading transactions on its behalf.
- (ee) "misrepresentation", "material fact" and "material change" mean, with respect to circumstances to which the Canadian Securities Laws of a particular Qualifying Jurisdiction are applicable, a misrepresentation, material fact, and material change as defined under the Canadian Securities Laws of that Qualifying Jurisdiction and, if not so defined or in circumstances in which the particular Canadian Securities Laws of a particular Qualifying Jurisdiction are not applicable, mean a misrepresentation, material fact and material change as defined under the *Securities Act* (Ontario).
- (ff) "NI 44-101" means National Instrument 44-101 - *Short Form Prospectus Distributions*.
- (gg) "Offering Documents" means the Preliminary Prospectus, the Prospectus, the Supplementary Material, the Preliminary International Offering Memorandum and the Final International Offering Memorandum.
- (hh) "Option Closing Date" has the meaning specified in Section 3.
- (ii) "Option Closing Time" has the meaning specified in Section 4.
- (jj) "Operational Procedures" means the supplemental agreements to the Master Agreements, which set forth certain operational procedures relating to the wood chips sales transactions.
- (kk) "Over-Allotment Option" has the meaning specified in Section 3.
- (ll) "Plantation Purchase Agreements" means the purchase agreements and the relevant supplemental agreements (if applicable) relating to the purchase by Foreign Companies of the rights to the trees on the relevant forestry plantation land.



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- (mm) "Plantation Rights Certificates" means certificates issued under the PRC Forestry Law in respect of the right to use the plantation land and to own the planted trees (in the case of planted forestry plantations) or to the owners of the plantation trees (in the case of purchased tree plantations).
- (nn) "PRC" means the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Agreement).
- (oo) "Preferred Shares" means preference shares, issuable in series, in the capital of the Company.
- (pp) "Preliminary International Offering Memorandum" means the preliminary international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Preliminary Prospectus and certain additional pages, as amended or supplemented.
- (qq) "Preliminary Prospectus" means the preliminary short form prospectus of the Company, in English, and filed with the Securities Regulators in connection with the qualification of the Offered Shares and the Over-Allotment Option for distribution in the Qualifying Jurisdictions, and the term "Preliminary Prospectus" shall be deemed to refer to and to include all the documents incorporated therein by reference and any amendment or restatement thereto. For avoidance of doubt, reference to "Preliminary Prospectus" shall include the Preliminary Prospectus included in the Preliminary International Offering Memorandum.
- (rr) "Prospectus" means the (final) short form prospectus of the Company dated the date of this Agreement, approved, signed and certified in accordance with the Canadian Securities Laws, relating to the qualification for distribution of the Offered Shares and the Over-Allotment Option under applicable Canadian Securities Laws in the Qualifying Jurisdictions, and the term "Prospectus" shall be deemed to refer to and include all the documents incorporated therein by reference. For avoidance of doubt, reference to "Prospectus" shall include the Prospectus included in the Final International Offering Memorandum.
- (ss) "Qualified Institutional Buyer" means a "qualified institutional buyer" as that term is defined in Rule 144A.

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- (tt) "Qualifying Jurisdictions" means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.
- (uu) "Regulation D" means Regulation D adopted by the SEC under the 1933 Act.
- (vv) "Regulation S" means Regulation S adopted by the SEC under the 1933 Act.
- (ww) "Rule 144A" means Rule 144A under the 1933 Act.
- (xx) "SEC" means the United States Securities and Exchange Commission.
- (yy) "Securities Regulators" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and in the United States, as applicable.
- (zz) "Subsidiary" means:
  - (i) any corporation of which securities, having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues), are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries;
  - (ii) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries: (x) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and (y) is a general partner, in the case of a limited partnership, or is a partner that has the authority to bind the partnership in all other cases; or
  - (iii) any other person of which at least a majority of the income, capital, beneficial or ownership interest (however designated) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries or the Company and one or more of its Subsidiaries;

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provided that the term **Subsidiary** shall in any event include the CJVs, the WFOEs and each of the additional entities identified in Schedule 1 (excluding the Company).

- (aaa) **"Substantial U.S. Market Interest"** means "substantial U.S. market interest" as that term is defined in Regulation S.
- (bbb) **"Supplementary Material"** means, collectively, any amendment or supplement to the Prospectus or any other similar documents required to be filed by the Company under the Canadian Securities Laws in connection with the Offering.
- (ccc) **"to the best of the knowledge, information and belief of"** means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates after having made due inquiries and investigations in connection with such facts and circumstances.
- (ddd) **"TSX"** means the Toronto Stock Exchange.
- (eee) **"United States"** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
- (fff) **"Underwriters' Canadian Counsel"** means the law firm of Stikeman Elliott LLP.
- (ggg) **"Underwriters' Counsel"** means collectively, Underwriters' Canadian Counsel, Underwriters' PRC Counsel and Underwriters' U.S. Counsel.
- (hhh) **"Underwriters' PRC Counsel"** means the law firm of Commerce & Finance Law Offices.
- (iii) **"Underwriters' U.S. Counsel"** means the law firm of Davis Polk & Wardwell.
- (jjj) **"U.S. Securities Laws"** means all applicable securities legislation in the United States, including, the 1933 Act, as amended, and the 1934 Act, as amended, and the rules and regulations promulgated thereunder.
- (kkk) **"WFOEs"** means, collectively, Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development

Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. each an enterprise established in the PRC in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

2. *Representations and Warranties.* The Company represents and warrants to the Underwriters and acknowledges that the Underwriters are relying upon such representations and warranties in connection with their execution and delivery of this Agreement, and delivery of each of the Offering Documents by the Company to the Underwriters shall constitute the representation and warranty of the Company to the Underwriters, that:

- (a) The Company is continued under the laws of Canada and is validly existing as a corporation in good standing under the laws of Canada, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole.
- (b) Each Subsidiary has been duly incorporated, amalgamated, formed or continued, as the case may be, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole; all of the issued shares of capital stock of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and the

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shares of capital stock of each such Subsidiary owned by the Company of another Subsidiary are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

- (c) Each of the Company and its Subsidiaries has obtained all consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all relevant national, local or other governmental authorities and all relevant courts and other tribunals ("Governmental Authorizations") which are required for the Company or any of its Subsidiaries to own, lease, license and use its properties and assets and to conduct its business in the manner described in, and contemplated by, the Offering Documents; all such Governmental Authorizations are in full force and effect; none of the Company and its Subsidiaries is in violation of, or default under, such Governmental Authorizations.
- (d) Each of the Company and its Subsidiaries has good and marketable title to all real property and all personal property owned by it, in each case free and clear of all liens, encumbrances and defects, except such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by it; and any real property and buildings held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiaries, in each case except as described in or contemplated in the Offering Documents.
- (e) This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting creditors' rights generally and subject to the qualification that equitable remedies may be granted in the discretion of a court of competent jurisdiction.
- (f) The relevant PRC Subsidiaries has duly obtained the relevant Plantation Rights Certificates for their legal titles to the plantation land use rights and the planted tree plantations. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, the relevant PRC Subsidiaries have the right to use approximately 58,000 hectares of plantation land contributed by the PRC partners of the CJVs or leased from other parties.

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- (g) Each of the Foreign Companies has the right to conduct business in the PRC in the manner as presently conducted and as described in the Offering Documents, and has the right to own the purchased tree plantations (as set forth in the Offering Documents) and has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
- (h) Each of the Foreign Parties is the sole contributor of the respective registered capital of each of the CJVs and is entitled to share the 70% of the volume of the timber logged from the forestry plantations (70% of the proceeds generated from the timber production of the forestry plantations) of each of the CJVs as set forth in the Offering Documents, in each case free and clear of all liens, encumbrances, equities, claims, restriction on transfer (other than as required under applicable PRC law or pursuant to the provisions of the Joint Venture Documents of any such CJV) or other defect of title whatsoever; the contribution of such registered capital and the sharing of the logged timber are valid and lawful under all applicable PRC laws, rules, regulations or guidelines of any local or other court or public, governmental or regulatory agency or body.
- (i) Each of Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), SFR (China) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sinowin Investments Limited (BVI), Grandeur Winway Limited (BVI), Sino-Forest Investments Limited (BVI), Sino-Forest (China) Investments Co., Ltd. (China), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Xiangxi) Limited (BVI), Sino-Panel (Suzhou) Limited (BVI) and Sino-Panel (Hunan) Limited (BVI) is the owner of the 100% registered capital of each of the WFOEs, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law), or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
- (j) The contracted registered capital of each of the CJVs has been subscribed in full by the respective Foreign Parties of each such CJV in accordance with the relevant Joint Venture Documents and all government approvals relating to the subscription thereof have been issued and are in full force and effect. Except for Guangdong Jiayao Wood Products Development Co, Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading

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Forest Development Co., Ltd., whose registered capital have been subscribed in accordance with their respective approval, the registered capital of each of the WFOEs has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect.

- (k) The articles of association of each of the CJVs and WFOEs comply with the requirements of applicable laws of the PRC, and are in full force and effect.
- (l) Each of the material agreements identified under the heading "Material Contracts" in the Company's annual information form dated March 30, 2007, the Joint Venture Documents, the Master Agreements and the related Operating Procedures and the Plantation Purchase Agreements which are governed by PRC law, constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting creditors' rights generally and subject to the qualification that equitable remedies may be granted in the discretion of a court of competent jurisdiction.
- (m) Except for Guangdong Jiayao Wood Products Development Co. Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., subject to compliance with the requisite procedures under the PRC laws and regulations, each PRC Subsidiary has full power and authority to effect dividend payments and remittances thereof outside the PRC in foreign currency free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC. Since the registered capital of Guangdong Jiayao Wood Products Development Co. Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. have not been fully paid up by their respective investors, the dividend payments and remittances thereof shall be made in proportion to the paid-up contributions of their respective registered capital.
- (n) The authorized capital of the Company conforms to the description thereof contained in the Offering Documents.

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- (o) The Common Shares outstanding prior to the issuance of the Offered Shares have been duly authorized and are validly issued, fully paid and non-assessable.
- (p) The Offered Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Offered Shares will not be subject to any pre-emptive or similar rights.
- (q) The execution and delivery of this Agreement by the Company, the issuance, offering and sale of Offered Shares, the use of the proceeds as described in the Offering Documents and the compliance by the Company with the other provisions of this Agreement do not:
  - (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Securities Regulators or other third party except: (A) such as have been obtained; and (B) such as may be required (and shall be obtained as provided in this Agreement) under the Canadian Securities Laws and by the TSX;
  - (ii) conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under: (A) any indenture, mortgage, lease or other agreement or instrument to which the Company, any of its Subsidiaries or any of their respective properties is bound; (B) the charter documents or by-laws of the Company or any of its Subsidiaries, respectively; or (C) any statute or any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator, stock exchange or securities association applicable to the Company or any of its Subsidiaries; or
  - (iii) give rise to any claim against the Company, any of its Subsidiaries, or any of their assets or give rise to or accelerate the repayment of any indebtedness or other payment or repayment obligation under any term or provision of any document or instrument referred to in sub-clause (A) or (B) of clause 2(q)(ii) above.
- (r) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the Condition of the Company, from that set forth in the Preliminary Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).



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- (s) There are no legal or governmental proceedings pending or threatened to which the Company or any of its Subsidiaries is a party or to which any of the properties of the Company or any of its Subsidiaries is subject other than proceedings accurately described in the Offering Documents and proceedings that would not have a material adverse effect on the Condition of the Company.
- (t) No labour dispute with the employees of the Company or any of its Subsidiaries exists or, to the best of the knowledge, information and belief of the Company, is imminent, and the Company is not aware of any existing or imminent labour disturbance by the employees of any of its or any of its Subsidiaries' principal suppliers, manufacturers, customers or contractors, which, in either case, would result in any material adverse effect on the Condition of the Company.
- (u) The Company and its Subsidiaries have not, and to the best of the knowledge, information and belief of the Company, no director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its Subsidiaries has, taken any action, directly or indirectly, that would result in a violation by such persons of the anti-corruption legislation of Canada, the PRC, Hong Kong or any other jurisdiction, or the rules and regulations thereunder, and all related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency thereof, including, without limitation, (i) making an offer, payment or promise to pay or (ii) authorizing the payment of any money, other property, gift, promise to give, or the giving of anything of value to any official, employee or agent of any governmental agency, authority or instrumentality in Canada, the PRC, Hong Kong or any other jurisdiction where either the payment, gift or promise or the purpose of such contribution, payment, gift or promise was, is or would be prohibited under applicable law, rule or regulation of Canada, the PRC, Hong Kong or any other relevant jurisdiction or to any political party or official thereof or any candidate for political office, where either the payment, gift or promise or the purpose of such contribution, payment, gift or promise was, is or would be prohibited under applicable law, rule or regulation of Canada, the PRC, Hong Kong or any other relevant jurisdiction, except such as would not, individually or in the aggregate, have any material adverse effect on the Condition of the Company.
- (v) Neither the Company or any of its Subsidiaries nor, to the best of the knowledge, information and belief of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its Subsidiaries is currently subject to any U.S.

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sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

- (w) The Company and its Subsidiaries (i) are in compliance with any and all applicable foreign, federal, provincial, state, territorial, and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants, dangerous goods or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Condition of the Company.
- (x) There is not at present on, at or under any of the real properties of the Company or any of its Subsidiaries any hazardous substances, toxic substances, wastes, pollutants, dangerous goods or contaminants ("Hazardous Substance") and there has not been the discharge, deposit, leak, emission, spill or other release of any Hazardous Substance on, at, under or from any real property of the Company or any of its Subsidiaries (including relating to the collection, removal and disposal of wastes), which has resulted in or may result in any cost, damage or other liability, including the diminution in value of any property.
- (y) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Condition of the Company.
- (z) The Company is eligible to file a short form prospectus under NI44-101 in each of the Qualifying Jurisdictions and there are no

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reports or information that in accordance with the requirements of the Canadian Securities Laws must be made publicly available in connection with the Offering as at the date hereof that have not been made publicly available as required.

- (aa) The Company has filed each statement, report, material change report, prospectus, management information circular, annual and interim report to shareholders, annual information form, financial statements, and any other material filing required to be filed with the Securities Regulators by the Company since January 1, 2004 (collectively, the "Company Public Documents"). As of their respective filing dates, the Company Public Documents complied in all material respects with the requirements of applicable Canadian Securities Laws and none of the Company Public Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except to the extent corrected by a subsequently filed Company Public Document. The Company has not filed any confidential material change report or other confidential report with any Securities Regulators or other governmental entity which at the date hereof remains confidential.
- (bb) The consolidated financial statements of the Company, and its Subsidiaries and the notes thereto included or incorporated by reference in the Offering Documents fairly present, in all material respects, the consolidated financial position, results of operations, earnings and cash flow of the Company and its Subsidiaries as at the respective dates and for the periods indicated therein and such financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis.
- (cc) Other than as disclosed in the financial statements referred to in clause 2(bb) and in the Offering Documents, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Company or any of its Subsidiaries with unconsolidated entities or other persons that may have a material current or future effect on the financial condition, change in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses of the Company or any of its Subsidiaries.
- (dd) Except as disclosed in the Offering Documents, none of the Company or any of its Subsidiaries has any contingent liabilities, in excess of the

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liabilities that are either reflected or reserved against in the financial statements referred to in clause 2(bb), which are material to the Condition of the Company.

- (ee) Except as disclosed in the Offering Documents, no material indebtedness (actual or contingent) and no material contract or arrangement is outstanding between the Company or any of its Subsidiaries and any director or executive officer of the Company or any of its Subsidiaries or any person connected with such director or executive officer (including his/her spouse or children, or any company or undertaking in which he/she holds a controlling interest). There are no material relationships or transactions between the Company or any of its Subsidiaries on the one hand and its affiliates, officers and directors or their shareholders, customers or suppliers on the other hand which are not disclosed in the Offering Documents.
- (ff) The Company and each of its Subsidiaries maintains a system of internal controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit the financial statements to be fairly presented in accordance with Canadian generally accepted accounting principles and to maintain accountability for assets; (iii) access to its assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to differences; (v) material information relating to the Company and its Subsidiaries is made known to those within the Company responsible for the preparation of the financial statements during the period in which the financial statements have been prepared and that such material information is disclosed to the public within the time periods required by applicable law, including Canadian Securities Laws; and (vi) all significant deficiencies and material weaknesses in the design or operation of such internal controls that could adversely affect the Company's ability to disclose to the public information required to be disclosed by it in accordance with applicable law, including Canadian Securities Laws, and all fraud, whether or not material, that involves management or employees that have a significant role in the Company's internal controls have been disclosed to the audit committee of the Company's board of directors.
- (gg) The Company's Auditors are independent public accountants as required under Canadian Securities Laws and there has not been any

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disagreement (within the meaning of National Instrument 51-102) since January 1, 2004 with the present or any former auditors of the Company.

- (hh) Except as referred to in and contemplated by the Offering Documents, subsequent to the respective dates as of which information is given in such documents:
  - (i) there has not been any material change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Company and its Subsidiaries on a consolidated basis;
  - (ii) there has not been any material change in the capital or long-term debt of the Company and its Subsidiaries on a consolidated basis; and
  - (iii) there has not been any material change in the Condition of the Company.
- (ii) There is no person, firm or corporation which has been engaged by the Company to act for the Company and which is entitled to any brokerage or finder's fee in connection with this Agreement or any of the transactions contemplated hereunder, and in the event any such person, firm or corporation establishes a claim for any fee from the Underwriters in respect of the transactions contemplated hereunder, the Company covenants to indemnify and hold harmless the Underwriters with respect thereto and with respect to all costs reasonably incurred in the defence thereof.
- (jj) None of the Company and its Subsidiaries is, or with the giving of notice or lapse of time or both would be, in violation of or in default under:
  - (i) any provision of law or regulation or the charter documents or by laws of the Company or any of its Subsidiaries, respectively;
  - (ii) any indenture, mortgage, lease or other agreement or instrument to which the Company, any of its Subsidiaries or any of their respective properties is bound; or
  - (iii) any approval, judgment, order or decree of any governmental body or agency or of any court having jurisdiction over the Company, any of its Subsidiaries or any of their respective properties.

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- (kk) Other than as disclosed in the Offering Documents, the Company and each of its Subsidiaries has, on a timely basis, filed all necessary tax returns and notices and has paid or made provision for all applicable taxes of whatever nature for all tax years to the date hereof to the extent such taxes have become due or have been alleged to be due; other than as disclosed in the Offering Documents, the Company is not aware of any material tax deficiencies or material interest or penalties accrued or accruing or alleged to be accrued or accruing, thereon with respect to itself or any of its Subsidiaries which have not otherwise been provided for by the Company.
- (ll) The Company is a reporting issuer under the Canadian Securities Laws of each of the Qualifying Jurisdictions and is not in default of any requirement of such Canadian Securities Laws.
- (mm) The delivery to the Underwriters of the Offering Documents shall constitute the representation and warranty of the Company to the Underwriters that, at the time of such delivery, the information and statements contained therein (except for statements or omissions based upon information relating to the Underwriters furnished to the Company in writing by the Underwriters expressly for use therein):
  - (i) constitute full, true and plain disclosure of all material facts relating to (x) the Company and its Subsidiaries on a consolidated basis; and (y) the Offered Shares;
  - (ii) are true and correct in all material respects and contain no misrepresentation; and
  - (iii) do not omit a material fact (except for information relating solely to the Underwriters) which is necessary to make the information and statements contained therein not misleading in light of the circumstances in which they were made.

Such delivery shall also constitute the Company's consent to the use of (a) the Preliminary Prospectus, the Prospectus or the Supplementary Material, as the case may be, by the Underwriters for the purpose of offering and selling the Offered Shares in the Qualifying Jurisdictions in accordance with the Canadian Securities Laws and (b) the Preliminary International Offering Memorandum, the Final International Offering Memorandum and any Supplementary Material by the Underwriters (and its affiliates) for the offering and sale of the Offered Shares by them outside of Canada.

3. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the Underwriters, and the Underwriters agree to purchase from the Company, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, 13,900,000 Common Shares at Cdn.\$12.65 per Share (the "Purchase Price").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Optional Shares, and the Underwriters shall have the right to purchase up to 2,000,000 Optional Shares at the Purchase Price (the "Over-Allotment Option"). The Underwriters may exercise this right in whole or from time to time in part by giving written notice prior to 30 days after the Closing Date. Any exercise notice shall specify the number of Optional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least three Business Days after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten Business Days after the date of such notice and must be a day that the TSX is open for trading. Optional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Optional Shares are to be purchased (an "Option Closing Date"), the Underwriters agree to purchase the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Underwriters may determine) to be purchased on such Option Closing Date.

The Company hereby agrees that, without the prior written consent of Dundee, on behalf of the Underwriters, which consent shall not be unreasonably withheld or delayed, it will not, during the period commencing on the date of the Prospectus and ending 120 days after the Closing Date, issue, agree to issue, or announce an intention to issue any additional Common Shares or any securities convertible into or exchangeable for Common Shares (except in connection with the exchange, transfer, conversion or exercise of rights of existing outstanding securities or existing commitments to issue securities or except in respect of the grant of options pursuant to the Company's stock option plan and the issuance of shares pursuant to the exercise thereof).

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Canadian funds immediately available in Toronto, Canada against delivery of such Firm Shares for the account of the Underwriters at 8:00 a.m., Toronto time (the "Closing Time"), on June 14, 2007 or on such other date, not later than June 30, 2007, as shall be designated in writing by the Underwriters. The date of such payment is hereinafter referred to as the "Closing Date".

Payment for any Optional Shares shall be made to the Company in Canadian funds immediately available in Toronto, Canada against delivery of such Optional

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Shares for the account of the Underwriters at 8:00 a.m., Toronto time (the "Option Closing Time"), on the Option Closing Date specified in the corresponding notice described in Section 3 or on such other date, in any event not later than June 30, 2007, as shall be designated in writing by the Underwriters.

The Firm Shares and Optional Shares shall be registered in such names and in such denominations as the Underwriters shall request in writing not later than one full Business Day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Optional Shares shall be delivered to the Underwriters on the Closing Date or an Option Closing Date, as the case may be.

In consideration for the Underwriters' services in (i) assisting in the preparation of the Offering Documents; (ii) forming and managing banking, selling or other groups in connection with the distribution of the Offered Shares; (iii) distributing the Offered Shares, both directly and through other registered dealers and brokers; and (iv) all other matters in connection with the issue and sale of the Offered Shares, the Company agrees to pay to the Underwriters, by certified cheque, wire transfer or the deduction of the Offering proceeds, a commission equal to 4.25% of the aggregate gross proceeds to the Company of the Firm Shares purchased by the Underwriters hereunder at the Closing Time. To the extent the Over-Allotment Option is exercised, the Company shall pay to the Underwriters, by certified cheque, wire transfer or the deduction of the Offering proceeds, a fee at the Over-Allotment Closing equal to 4.25% of the aggregate gross proceeds to the Company of the Optional Shares purchased by the Underwriters hereunder.

The closing of the purchase and sale of the Firm Shares will be completed at the Closing Time at the offices of the Company's Canadian Counsel, or at any other place determined in writing by the Company and the Underwriters. At the Closing Time, the Company will deliver to the Underwriters (i) a global certificate representing the Firm Shares to be issued on the Closing Date registered in the name of "CDS & Co." for deposit into the book entry only system administered by CDS Clearing and Depository Services Inc. and/or such other number of certificates as directed by the Underwriters at least one Business Day prior to the Closing Date; (ii) such further documentation as may be contemplated herein or as the Underwriters or the applicable Securities Regulators or the TSX may reasonably require, against payment by the Underwriters of the purchase price therefor by certified cheque or wire transfer to the order of the Company in Canadian same day funds or by such other method as the Company and the Underwriters may agree upon. In addition, the Company shall contemporaneously pay to the Underwriters, the aforementioned 4.25% commission by wire transfer to the order of the Underwriters in Canadian same day funds, the deduction of the Offering proceeds or by such other method as the Company and the Underwriters may agree upon. The Company hereby expressly authorizes the Underwriters to deduct (x) the commission to which it is entitled pursuant to the terms hereof; and (y) any fees and expenses set forth in



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Section 6(c) hereof payable by the Company to the Underwriters, from any payment made by the Underwriters of the purchase price for the Firm Shares or any Optional Shares in satisfaction of the Company's obligation to pay such commission and such fees and expenses. The Underwriters shall provide at least three Business Days notice if it does not intend to deduct the aforementioned commissions, fees and expenses from the price of the Offered Shares.

In order to facilitate an efficient and timely closing at the Closing Time and the Option Closing Time, the Underwriters may choose to initiate a wire transfer of funds to the Company prior to the Closing Time or the Option Closing Time, as the case may be. If the Underwriters do so, the Company agrees that such transfer of funds to the Company prior to the Closing Time or the Option Closing Time does not constitute a waiver by the Underwriters of any of the conditions set out in this Agreement. Furthermore, the Company agrees that any such funds received from the Underwriters prior to the Closing Time or the Option Closing Time, as the case may be, will be held by the Company in trust solely for the benefit of the Underwriters until the Closing Time or the Option Closing Time as the case may be, and, if the closing, as the case may be, does not occur at the scheduled Closing Time or the Option Closing Time, as the case may be, such funds shall be immediately returned by wire transfer to Dundee on behalf of the Underwriters, without interest. Upon the satisfaction of the conditions of closing at the Closing Time or Option Closing Time, as the case may be, the funds held by the Company, in trust for the Underwriters shall be deemed to be delivered by the Underwriters to the Company in satisfaction of the obligation of the Underwriters under Section 12 of this Agreement and upon such delivery the trust constituted by this Section 12(3) shall be terminated without further formality.

5. *Conditions to the Underwriters' Obligations.* The obligations of the Company to sell the Offered Shares to the Underwriters and the obligation of the Underwriters to purchase and pay for the Offered Shares at the Closing Time are subject to the following conditions:

- (a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the Condition of the Company, from that set forth in the Offering Documents provided to prospective purchasers of the Offered Shares that, in the Underwriters' judgment, is material and adverse and that makes it, in the Underwriters' judgment, impracticable to profitably market and sell the Offered Shares on the terms and in the manner contemplated in the Prospectus.
- (b) The Underwriters shall have received a legal opinion dated the Closing Date from Company's Canadian Counsel, addressed to the

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Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, relating to the matters set out in Schedule "A", such opinion shall be rendered to the Underwriters at the request of the Company and shall so state therein.

- (c) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's PRC Counsel, addressed to the Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, relating to the matters set out in Schedule "B", such opinion shall be rendered to the Underwriters at the request of the Company and shall so state therein.
- (d) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's U.S. Counsel, addressed to the Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, relating to the matters set out in Schedule "C". Such opinion shall be rendered to the Underwriters at the request of the Company, and shall so state therein.
- (e) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's Hong Kong Counsel in or substantially in the form of the opinion set out in Schedule "D". Such opinion shall be rendered to the Underwriters at the request of the Company, and shall so state therein.
- (f) The Underwriters shall have received a legal opinion dated the Closing Date from Underwriters' Canadian Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, relating to the matters set out in Schedule "E".
- (g) The Underwriters shall have received legal opinions dated the Closing Date from Underwriters' PRC Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, relating to the matters set out in Schedule "F".
- (h) The Underwriters shall have received legal opinions dated the Closing Date from Underwriters' U.S. Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, relating to the matters set out in Schedule "G".

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- (i) The Underwriters shall have received a certificate, or certificates, dated the Closing Date and executed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, on behalf of the Company, without personal liability, to the effect that, after due inquiry:
- (i) a Final MRRS Decision Document has been issued by the Ontario Securities Commission as the principal regulator of the Company under the MRRS, and no order suspending or preventing the use of the Prospectus or any amendment thereto or cease trading the Common Shares or any other securities of the Company has been issued, and no proceedings for that purpose have been instituted or threatened by any Securities Regulator;
  - (ii) subsequent to the respective dates as of which information is given in the Offering Documents, there has not been any "material change" (as defined in this Underwriting Agreement) of any kind, any material adverse change, or any development involving a prospective material adverse change, in the Condition of the Company;
  - (iii) subsequent to the respective dates as of which information is given in the Offering Documents, no transaction out of the ordinary course of business, material to the Company and its Subsidiaries on a consolidated basis, has been entered into by the Company or any of its Subsidiaries or has been approved by the management of any of them;
  - (iv) the representations and warranties of the Company contained in this Agreement are true and correct in all material respects as of the Closing Date with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated hereby;
  - (v) the minute books and records of the Company relating to all meetings of shareholders of the Company and the Board of Directors of the Company made available to the Underwriters' Canadian Counsel are true, correct and complete, in all material respects, with respect to all proceedings of said shareholders and Board of Directors since January 1, 1999; and

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- (vi) the Company has duly complied in all respects with all the agreements and satisfied all the conditions of this Agreement on its part to be satisfied or complied with up to the Closing Time.
- (j) The Underwriters shall have received a certificate, dated the Closing Date and executed by the Secretary of the Company, on behalf of the Company, without personal liability, to the effect that, to the best of his knowledge, information and belief:
  - (i) the articles and by-laws of the Company attached to the certificate are full, true and correct copies and in effect on the date of such certificate;
  - (ii) the resolutions of the board of directors of the Company relating to the Offering attached to the certificate are full, true and correct copies thereof and have not been modified or rescinded as of the date of such certificate and are all of the resolutions relating to the subject matter of the Offering; and
  - (iii) such other matters as are requested by the Underwriters, in form and substance satisfactory to the Underwriters.
- (k) The Underwriters shall have received on each of the date hereof and the Closing Date comfort letters of the Company's Auditors in form and substance satisfactory to Underwriters' Counsel, similar to the comfort letters to be delivered to the Underwriters pursuant to 6(j)(v) hereof, and updated to a date not less than two days prior to date hereof and the Closing Date, respectively.
- (l) On the Closing Date, the Offered Shares shall be listed and posted for trading on the TSX.
- (m) The Company shall have delivered the definitive certificates representing the Offered Shares as specified in Section 4 hereof.
- (n) The Underwriters shall have received at the Closing Time such other certificates, statutory declarations, agreements or materials, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, as the Underwriters and the Underwriters' Counsel may reasonably request.

In addition, the obligation of the Underwriters to purchase Optional Shares hereunder are subject to the delivery to the Underwriters on the applicable Option Closing Date of such documents as the Underwriters may reasonably request with

respect to the good standing of the Company, the due authorization and issuance of the Optional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Optional Shares.

6. *Covenants of the Company.* In further consideration of the agreements of the Underwriters herein contained, the Company covenants with the Underwriters as follows:

- (a) If, during the period after the date hereof and prior to the date on which all of the Offered Shares have been sold by the Underwriters, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Offering Documents in order to correct any misrepresentation or make the statements therein, in the light of the circumstances when the Offering Documents are delivered to a purchaser, not misleading or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Offering Documents to comply with Canadian Securities Laws, forthwith to prepare, file with the Securities Regulators and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses the Underwriters will furnish to the Company) to which Offered Shares may have been sold by the Underwriters and to any other dealers upon request, either amendments or supplements to the Offering Documents so that the statements in the Offering Documents as so amended or supplemented will not, in the light of the circumstances when the Offering Documents are delivered to a purchaser, be misleading or so that the Offering Documents, as amended or supplemented, will comply with Canadian Securities Laws.
- (b) To endeavor to qualify the Offered Shares for offer and sale under the securities laws of such jurisdictions outside of Canada as the Underwriters shall reasonably request.
- (c) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Underwriters' Counsel, the Company's Counsel, the Company's Auditors, Pöyry Forest Industry Ltd. and any other experts or advisors retained by the Company in connection with the offering of the Offered Shares and all other fees or expenses in connection with the preparing, printing and filing or other publication of all documents contemplated hereby, including all costs of printing the Offering Documents, and the mailing and delivering of copies thereof to the

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Underwriters, in the quantities and to the locations specified by the Underwriters, (ii) all costs and expenses related to the transfer and delivery of the Offered Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) all expenses in connection with the qualification of the Offered Shares for offer and sale under applicable securities laws as provided in clause 6(b) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any legal investment memorandum, (iv) all filing fees incurred in connection with the offering of the Offered Shares, (v) the cost of printing certificates representing the Offered Shares, (vi) the costs and charges of any transfer agent, registrar or depositary and all fees and expenses of the Canadian Depositary for Securities Limited, (vii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Offered Shares, including, without limitation, costs related to investor lunches and conference facilities (other than conference facilities at the offices of the Underwriters), and travel and lodging expenses of the representatives and officers of the Company; (viii) the qualification of the Offered Shares and the Over-Allotment Option under the Canadian Securities Laws, including listing fees on the TSX and all filing or similar fees required by the Securities Regulators; (ix) the document production charges and expenses associated with printing this Agreement; and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section 6. It is understood, however, that except as provided in this Section 6 and in Section 9 entitled "Indemnity and Contribution", the Underwriters will pay all of their costs and expenses, including stock transfer taxes payable on resale of any of the Offered Shares by them and any advertising expenses connected with any offers they may make.

- (d) The Offered Shares to be issued and sold by the Company hereunder shall be duly and validly issued by the Company and, when issued and sold by the Company, such Offered Shares shall have the attributes set out in the Offering Documents.
- (e) The Company will, by no later than May 28, 2007, prepare and file the Preliminary Prospectus in order to qualify the Offered Shares and the Over-Allotment Option for distribution in each of the Qualifying Jurisdictions in accordance with the Securities Laws and will use reasonable commercial efforts to obtain the Preliminary MRRS

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Decision Document not later than 5:00 p.m. (Toronto time) on May 28, 2007.

- (f) The Company will prepare and file the Prospectus and will use reasonable commercial efforts to obtain the Final MRRS Decision Document from the Ontario Securities Commission, as principal regulator of the Company under the MRRS, evidencing that receipts for the Prospectus were obtained from each of the Securities Regulators in the Qualifying Jurisdictions in order to qualify the Offered Shares and the Over-Allotment Option for distribution in each of the Qualifying Jurisdictions in accordance with the Securities Laws, as soon as possible, and, shall obtain such Final MRRS Decision Document, in any event, not later than 5:00 pm (Toronto Time) on June 5, 2007 (or such other time and/or later date as the Company and the Underwriters may agree).
- (g) Until the date on which the distribution of the Offered Shares and the Over-Allotment Option is completed, the Company will promptly take, or cause to be taken, all additional steps and proceedings that may from time to time be required under the Canadian Securities Laws to continue to qualify the distribution of the Offered Shares and the Over-Allotment Option.
- (h) The Company shall deliver or cause to be delivered, to the Underwriters, without charge, in Toronto, Ontario, contemporaneously with or prior to the filing of the Preliminary Prospectus or any Supplementary Material, as the case may be:
  - (i) a copy of the Preliminary Prospectus in the English, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
  - (ii) a copy of any Supplementary Material required to be filed by the Company under the Canadian Securities Laws, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein; and
  - (iii) a copy of the Preliminary International Offering Memorandum.
- (i) The Company shall deliver or cause to be delivered to the Underwriters, without charge, as soon as possible and in any event not later than the first business day after the date that the Preliminary Prospectus or Supplementary Material is filed with the Securities Regulators, such number of commercial copies of the Preliminary

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Prospectus or Supplementary Material in respect thereof (including the Preliminary International Offering Memorandum) as the Underwriters reasonably require.

- (j) The Company shall deliver or cause to be delivered, to the Underwriters, without charge, in Toronto, Ontario, contemporaneously with or prior to the filing of the Prospectus or any Supplementary Material, as the case may be:
  - (i) a copy of the Prospectus in the English, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
  - (ii) a copy of each consent required to be filed by the Company under the Canadian Securities Laws, signed as required by the Canadian Securities Laws, including the consent of the Company's Auditors, Company's Canadian Counsel and Pöyry Forest Industry Ltd. together with copies of any other ancillary documents required to be filed by the Company under the Canadian Securities Laws;
  - (iii) a copy of any Supplementary Material required to be filed by the Company under the Canadian Securities Laws, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
  - (iv) a copy of the Final International Offering Memorandum;
  - (v) a comfort letter or letters dated the date of the Prospectus and addressed by the Company's Auditors to the Underwriters and the directors and Chief Executive Officer and Chief Financial Officer of the Company, in form and substance satisfactory to the Underwriters and Underwriters' Counsel, acting reasonably, with respect to certain financial and accounting information relating to the Company contained in the Prospectus, which comfort letter shall be based on a review by the Company's Auditors having a cut-off date of not more than two Business Days prior to the date of the letter or letters, as applicable, and shall be in addition to the auditors' reports contained in the Prospectus and the auditors' comfort letter addressed to the Securities Regulators; and
  - (vi) a letter from the TSX advising the Company that approval of the conditional listing of the Offered Shares has been granted by the



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TSX, subject to the satisfaction of certain conditions set out therein.

- (k) The Company shall deliver or cause to be delivered to the Underwriters, to the locations directed by the Underwriters, without charge, as soon as possible and in any event not later than the first Business Day after the date that the Prospectus is filed with the Securities Regulators, such number of commercial copies of the Prospectus and copies of the Final International Offering Memorandum, as the Underwriters require.
- (l) During the period of distribution to the public of the Offered Shares, which shall be the period from the date hereof to the date upon which the Company has received notice from the Underwriters of the completion thereof, the Company shall promptly notify the Underwriters in writing of:
  - (i) any material fact that has arisen or has been discovered which would have been required to have been stated in the Offering Documents, as the case may be, had the fact arisen or been discovered on, or prior to, the date of such document; and
  - (ii) any change in a material fact in the Offering Documents, as the case may be, or the existence of any new material fact, which change or new material fact is, or may be of such a nature as:
    - (iii) to render the Offering Documents misleading or untrue;
    - (iv) would result in the Preliminary Prospectus, the Prospectus and the Supplementary Material not complying with any Canadian Securities Laws, the Preliminary International Offering Memorandum or the Final International Offering Memorandum not complying with applicable securities laws;
    - (v) would reasonably be expected to have a significant effect on the market price or value of the Offered Shares or which would restrict or prevent the trading of the Offered Shares; or
    - (vi) would be reasonably considered material to a prospective purchaser of the Offered Shares.

In any such case, the Company shall promptly and, in any event within applicable time limitations required by the Canadian Securities Laws, comply with all legal requirements necessary to comply with the

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Canadian Securities Laws in order to allow for the continued distribution of the Offered Shares and the Over-Allotment Option in the Qualifying Jurisdictions as contemplated in Section 3 hereof.

- (m) The Company shall in good faith discuss with the Underwriters any change in circumstances (actual, proposed or prospective) which is of such a nature that there is reasonable doubt whether notice need be given to the Underwriters pursuant to Subsection 6(1), it being understood that no Supplementary Material will be filed with the Securities Regulators prior to the review and approval by the Underwriters, acting reasonably.
- (n) At the respective times of filing, the Preliminary Prospectus, the Prospectus and any Supplementary Material will comply with the requirements of the Canadian Securities Laws.
- (o) Following the execution of this Agreement, the Company will (i) prepare and file or cause to be prepared and filed all documents and take or cause to be taken all actions required under the by-laws, rules, policies and regulations of the TSX in order to issue and sell to the Underwriters the Offered Shares for distribution to the public in the Qualifying Jurisdictions and for the Offered Shares to be listed on the TSX prior to or on the Closing Date, and (ii) make all necessary filings and use its best efforts to obtain all necessary regulatory and other consents and approvals required in connection with the transactions contemplated by this Agreement.
- (p) The Company will advise the Underwriters, promptly after receiving notice thereof, of the time when any amendment or supplement to the Prospectus and any Supplementary Material has been filed and a Final MRRS Decision Document for the Prospectus has been issued by the Ontario Securities Commission, as the principal regulator of the Company under the MRRS, and will provide evidence satisfactory to the Underwriters of such document.
- (q) The Company will, until the end of the distribution, advise the Underwriters, promptly after receiving notice or obtaining knowledge thereof, of: (i) the issuance of any order suspending or preventing the use of the Offering Documents; (ii) the imposition of cease trading or similar orders affecting the Offered Shares or any other securities of the Company; (iii) the institution, threatening or contemplation of any proceeding for any such purpose; or (iv) any request made by any Securities Regulator for amending or supplementing the Prospectus or any Supplementary Material or any request made by any other

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securities regulatory authority for amending or supplementing the Final International Offering Memorandum. The Company will use its best efforts to prevent the issuance of any such order and, if any such order is issued, to obtain the withdrawal thereof as quickly as possible.

- (r) Prior to the filing of the Offering Documents, the Company shall allow the Underwriters to participate fully in the preparation thereof, and shall allow the Underwriters to conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill its obligations as an underwriter and in order to enable the Underwriters to responsibly execute the certificate required to be executed by the Underwriters in the Prospectus and any Supplementary Materials.

7. *Covenants of the Underwriters.* The Underwriters covenant with the Company as follows:

- (a) They will not to make any representation or warranty as to the Company or the Offered Shares other than as set forth in the Offering Documents.
- (b) The Offered Shares shall be offered for sale by the Underwriters to the public in the Qualifying Jurisdictions in compliance with the Canadian Securities Laws upon the terms and conditions set forth herein and in the Prospectus including applicable registration requirements. The Underwriters shall cause similar undertakings to be contained in any agreements among the members of any banking, selling or other groups formed for the distribution of the Offered Shares.
- (c) If they offer to sell or sell any Offered Shares in jurisdictions other than the Qualifying Jurisdictions, such offers or sales shall be effected in accordance and compliance with the applicable laws of such jurisdictions and shall be effected in such manner so as not to require registration of the Offered Shares, or the filing of a prospectus, registration statement or any other notice or document with respect to the distribution of the Offered Shares and the Over-Allotment Option, under the laws of any jurisdiction outside the Qualifying Jurisdictions including, without limitation, the United States and the PRC. The Underwriters shall cause similar undertakings to be contained in any agreements among the members of any banking, selling or other groups formed for the distribution of the Offered Shares.
- (d) They agree, and will require each member of the banking or selling group, if any, to agree, to observe the United States selling restrictions

set forth in Section 8 hereof and the Company agrees for the benefit of the Underwriters to comply with its covenants as set forth in Section 8 hereof. The Underwriters represent and warrant that they will not offer or sell any of the Offered Shares within the United States except for offers and sales made through U.S. selling agents in accordance with Rule 144A under the 1933 Act. For greater certainty, notwithstanding any other provision of this Agreement, Credit Suisse will not offer or sell any of the Offered Shares within the United States.

- (e) They shall after the Closing Time (a) use its reasonable commercial efforts and will require each member of the banking or selling group, if any, to agree, to terminate, distribution of the Offered Shares as promptly as possible; and (b) give prompt written notice to the Company, with a copy to Company's Counsel, when, in the opinion of the Underwriters, they, and the members of such groups, have ceased distribution of the Offered Shares and of the total proceeds realized from such distribution in each of the respective Qualifying Jurisdictions in which such information is or may be required by the appropriate Securities Regulators.

8. *International Offers and Sales.*

- (a) The Underwriters intend to offer and sell the Offered Shares within and outside the United States in the International Offering on the terms and subject to the conditions of this Section 8. In that connection, the Company hereby further represents, warrants, covenants and agrees to and with the Underwriters that:
  - (i) it is not necessary in connection with the offer, sale and delivery of the Offered Shares to the Underwriters in the manner contemplated by this Agreement to register the Offered Shares under the 1933 Act.
  - (ii) the Company is a "foreign issuer" within the meaning of Regulation S and reasonably believes that there is no Substantial U.S. Market Interest with respect to the Offered Shares.
  - (iii) the Company is not, and after giving effect to the offering and sale of the Offered Shares and the application of the proceeds thereof as described in the Offering Documents will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

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- (iv) the Offering Documents, at the respective dates thereof, did, do and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such documents, at the date hereof, do not and at the Closing Time will not (and any amendment or supplement thereto or final form thereof, at the date thereof and at the Closing Time will not) contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (v) none of the Company, its Affiliates or anyone acting on their behalf (other than the Underwriters, its Affiliates or any person acting on their behalf, as to which no representation is made) directly or indirectly, has taken or will take any action in violation of Regulation M under the 1934 Act in connection with the offer and sale of the Offered Shares.
- (vi) the Company is not and will not become, as a result of the issuance and sale of the Offered Shares and the application of the proceeds thereof, a "passive foreign investment company" within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended, and does not anticipate becoming a passive foreign investment company in the foreseeable future.
- (vii) neither the Company nor any Affiliate of the Company, directly, or through any agent, (i) has sold, offered for sale, solicited offers to buy or otherwise negotiated, or will sell, offer for sale or solicit offers to buy or otherwise negotiate, in respect of, any security (as defined in the 1933 Act) which is or will be integrated with the sale of the Offered Shares in a manner that would require the registration under the 1933 Act of the Offered Shares or (ii) offered, solicited offers to buy or sold, or will offer, solicit offers to buy or sell, the Offered Shares by any form of general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) or in any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act.
- (viii) none of the Company, its Affiliates or any person acting on its behalf or their behalf has engaged or will engage in any Directed Selling Efforts with respect to the Offered Shares and

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the Company and its Affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirements of Regulation S.

- (ix) the Offered Shares satisfy the requirements set forth in Rule 144A(d)(3) under the 1934 Act.
  - (x) during the period of two years after the Closing Date or any Option Closing Date, if later, the Company will not, and will not permit any of its Affiliates to, resell any of the Offered Shares which constitute "restricted securities" under Rule 144 that have been reacquired by any of them.
  - (xi) none of the Company, its Affiliates, and persons acting on its or their behalf (other than the Underwriters) will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the 1933 Act) which could be integrated with the sale of the Offered Shares in a manner which would require the registration of the Offered Shares under the 1933 Act.
  - (xii) for the benefit of any holder of Offered Shares or potential purchaser thereof, that for so long as any of the Common Shares are outstanding and are "restricted securities" within the meaning of Section (a)(3) of Rule 144 under the 1933 Act, it will provide to any holder of Offered Shares and any prospective purchaser thereof designated by such holder for so long as such requirement is necessary in order to permit holders of Offered Shares to effect resales under Rule 144A, upon the request of such holder or purchaser, at or prior to the time of purchase, the information required to be provided to such holder or prospective purchaser by Section (d)(4) of Rule 144A unless it either furnishes to the SEC the information referred to in Rule 12g3-2(b) under the 1934 Act or files reports and other information with the SEC under Section 13 or 15(d) of the 1934 Act.
- (b) With respect to offers and sales within the United States pursuant to the International Offering, the Underwriters agree with the Company that:
- (i) (A) it will solicit (and will cause its U.S. affiliate to solicit) offers for the Offered Shares in the United States only from, and will offer (and cause its U.S. affiliate to offer) the Offered Shares only

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to, persons who it reasonably believes to be Qualified Institutional Buyers in accordance with Rule 144A and (B) it will not, and will cause its U.S. Affiliates not to, sell any Offered Shares in the United States except in definitive, fully registered form to purchasers;

- (ii) it has not offered or will not offer to sell, has not solicited or will not solicit any offer to buy, by any form of general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) or in any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act, any of the Offered Shares; and
  - (iii) it is an "accredited investor" within the meaning of Regulation D under the 1933 Act.
- (c) The Underwriters have not entered, and will not enter, into any contractual arrangement with respect to the distribution of the Offered Shares in the United States, except with its Affiliates, without the prior written consent of the Company, except that nothing in this Section 8 shall in any way restrict offers and sales in accordance with Rule 144A.
- (d) With respect to offers and sales outside the United States and Canada, pursuant to the International Offering, the Underwriters agree with the Company that:
- (i) the Underwriters understand that no action has been or will be taken in any jurisdiction (other than Canada) by the Company that would permit a public offering of the Offered Shares, or possession, or distribution of the Offering Documents or any other offering or publicity material relating to the Offered Shares in any country or jurisdiction where action for that purpose is required;
  - (ii) the Underwriters will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Offered Shares or has in its possession, or distributes the Offering Documents, in all cases at its own expense;
  - (iii) the Offered Shares have not been registered under the 1933 Act and may not be offered or sold within the United States except in accordance with Rule 144A or Regulation S under the 1933 Act or pursuant to another exemption from the registration requirements of the 1933 Act; and

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(iv) the Underwriters have offered the Offered Shares and will offer and sell the Offered Shares in offshore transactions outside the United States as part of their distribution at any time only in accordance with Rule 903 of Regulation S or as otherwise permitted under the 1933 Act. Accordingly, none of the Underwriters, its Affiliates nor any persons acting on their behalf have engaged or will engage in any Directed Selling Efforts with respect to the Offered Shares and any of the Underwriters, their Affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

9. *Indemnity and Contribution.*

(a) The Company agrees to indemnify and hold harmless the Underwriters, their directors, their officers and each person, if any, who controls the Underwriters within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each affiliate of the Underwriters within the meaning of Rule 405 under the 1933 Act (each an "Indemnified Party") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (collectively, a "Claim") caused by (i) any untrue statement or alleged untrue statement made by the Company in Section 2 hereof or in any certificate delivered to the Underwriters pursuant to this Agreement; (ii) any misrepresentation or alleged misrepresentation (for purposes of Canadian Securities Laws), or any untrue statement or alleged untrue statement of a material fact contained in any of the Offering Documents (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they are made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such misrepresentation, untrue statement or omission or alleged misrepresentation, untrue statement or omission based upon information relating to the Underwriters furnished to the Company in writing by the Underwriters expressly for use therein; (iii) the Company not complying with any requirement of Canadian Securities Laws or U.S. Securities Laws; or (iv) any order made or inquiry, investigation or proceeding (formal or informal) commenced or threatened by any officer or official of any Securities Regulator based



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upon the circumstances described in paragraphs 9(a)(ii) or 9(a)(iii) above which operates to prevent or restrict trading in or distribution of the Offered Shares or any other securities of the Company in any of the Qualifying Jurisdictions.

- (b) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), such Indemnified Party shall promptly notify the Company in writing of the nature of the Claim and the Company, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless i) the Company and the Indemnified Party shall have mutually agreed to the retention of such counsel or ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Company shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such Indemnified Parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Underwriters, in the case of parties indemnified pursuant to Section 9(a). The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Company to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Company of the aforesaid request and (ii) the Company shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of

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such settlement. The Company shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

- (c) In the event that the Company does not assume the defence of a Claim within thirty (30) days after receiving notice thereof, the Indemnified Party shall have the right to retain his, her or its own legal counsel and the Company shall bear the reasonable fees, costs and expenses of such counsel. Notwithstanding the foregoing, in no event shall the Company be required to pay the fees and expenses of more than one set of counsel for all of the Indemnified Parties in a jurisdiction in respect of any particular Claim or related set of Claims.
- (d) The Company hereby waives its right to recover contribution from any of the Underwriters or any other Indemnified Party with respect to any liability of the Company by reason of or arising out of any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) contained in the Offering Documents provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of:
  - (i) any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) which is based upon or results from a statement or information relating solely to the Underwriters contained in such documents; or
  - (ii) any failure by the Underwriters or members of their banking or selling group (if any) to provide to purchasers of the Offered Shares any document which the Company is required to provide to such purchasers and which it has provided to the Underwriters to forward to such purchasers.
- (e) With respect to any Indemnified Party who is not a party to this Agreement, the Underwriters shall obtain and hold the rights and benefits of this Section 9 in trust for and on behalf of such Indemnified Party.
- (f) To the extent the indemnification provided for in Section 9(a) is unavailable to an Indemnified Party or insufficient in respect of any Claims referred to therein, then the Company, in lieu of indemnifying

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such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Offered Shares or (ii) if the allocation provided by clause 9(f)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(f)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the misrepresentation, statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Offered Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Offered Shares (net of the fee payable to the Underwriters but before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate offering price of the Offered Shares. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amounts in excess of the aggregate fees actually received by the Underwriters from the Company. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the misrepresentation or alleged misrepresentation, the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation, statement or omission.

- (g) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in clause 9(f). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in clause 9(f) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, the Underwriters shall not in any event be liable to contribute, in the aggregate, any

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amounts in excess of the aggregate fees actually received by the Underwriters from the Company. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Party at law or in equity.

- (h) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Underwriters, any person controlling the Underwriters or any affiliate of the Underwriters or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Offered Shares.

10. *Obligations of Underwriters*

- (a) Subject to the terms hereof, the obligations of the Underwriters to purchase the Offered Shares at the Closing Time or Option Closing Time, as applicable, shall be several and not joint and several and their respective obligations and rights in this regard shall be in the following percentages:

Dundee Securities Corporation	45%
CIBC World Markets Inc.	20%
Merrill Lynch Canada, Inc.	10%
Credit Suisse Securities (Canada) Inc.	10%
UBS Securities Canada Inc.	10%
Haywood Securities Inc.	5%

- (b) If one or more of the Underwriters should default in its obligations to purchase its respective percentage of the Offered Shares (the "Defaulted Securities") at the Closing Time or Option Closing Time, the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all but not less than all of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Underwriters shall not have completed such arrangements within such 24-hour period, then:

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- (i) if the number of Defaulted Securities is less than 10% of the number of Offered Shares to be purchased hereunder, the non-defaulting Underwriters shall be obligated, each severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations bear to the underwriting obligation of all non-defaulting Underwriters, or
  - (ii) if the number of Defaulted Securities is 10% or more of the number of Offered Shares to be purchased hereunder, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.
- (c) In the event of any default by an Underwriter as described in this Section 10, the non-defaulting Underwriter shall have the right to postpone the Closing Date or Option Closing Date for not more than three (3) Business Days in order that any changes in the arrangements or documents for the purchase and delivery of the Offered Shares may be made. Nothing in this Section 10 shall require the Company to sell less than all of the Firm Shares or Over-Allotment Shares, as applicable, or relieve any defaulting Underwriter from liability in respect of its default hereunder to the Company and to the non-defaulting Underwriters.

11. *Termination.*

- (a) In addition to any other remedies which may be available to the Underwriters, any Underwriter shall be entitled, without liability, at such Underwriter's sole discretion, to terminate and cancel such Underwriter's obligations under this Agreement by notice to the Company given prior to the Closing Time if, at or prior to the Closing Time:
  - (i) Trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange, the Chicago Board of Trade or the London Stock Exchange;
  - (ii) Trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market;

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- (iii) A material disruption in securities settlement, payment or clearance services in the United States, Canada or London shall have occurred;
- (iv) Any moratorium on commercial banking activities shall have been declared by Canadian, U.S. Federal or New York State authorities, UK authorities or the European Central Bank;
- (v) There should occur or commence, or be announced or threatened, any inquiry, action, suit, investigation or other proceeding (whether formal or informal) other than any inquiry, action, suit, investigation or other proceeding based on alleged activities of the Underwriters, or any order is issued by any governmental authority, other than an order based on the alleged activities of the Underwriters, or any law or regulation is promulgated, changed or announced or there is any change in the interpretation or administration of any law or regulation, which, in the reasonable opinion of the Underwriters (or any of them), is expected to prevent or materially suspend or restrict the trading in or the distribution of the Offered Shares, or any other securities of the Company or would be expected to have a material adverse effect on the market price or value of the Offered Shares or any other securities of the Company;
- (vi) There should develop, occur or come into effect or existence, any event, action, state, condition or occurrence of national or international consequence, acts of hostilities, terrorism, or escalation thereof or other calamity or crisis, any change in currency exchange rates or controls in Canada, the United States, the United Kingdom, Hong Kong, the PRC or elsewhere or any change or development involving a prospective change in national or international political, financial or economic conditions, or any law, action, regulation or other occurrence of any nature whatsoever which, in the reasonable opinion of the Underwriters (or any of them), materially adversely affects or involves, or is expected to materially adversely affect or involve, financial markets generally or the business, affairs or operations of the Company; or
- (vii) There should occur or be discovered any material change in the Condition of the Company or any change in any material fact such as is contemplated in Section 6 hereof (other than a change related solely to the Underwriters), or the Underwriters become aware of any undisclosed material information, which, in the

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reasonable opinion of the Underwriters (or any of them), could be expected to have a material adverse effect on the market price or value of the Common Shares or any other securities of the Company.

- (b) All terms and conditions of this Agreement shall be construed as conditions, and any breach or failure by the Company to comply with any of such terms and conditions in all material respects shall entitle the Underwriters, or any of them, to terminate their obligations to purchase the Offered Shares by notice to that effect given to the Company at or prior to the Closing Time. The Underwriters may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to their rights in respect of any other of such terms and conditions or any other or subsequent breach or non-compliance; provided, however, that to be binding on the Underwriters any such waiver or extension must be in writing and signed by all of the Underwriters.
- (c) The rights of termination contained in this Section 11 may be exercised by the Underwriters (or any of them) and are in addition to any other rights or remedies the Underwriters (or any of them) may have in respect of any default, act or failure to act or non-compliance by the Company in respect of any of the matters contemplated by this Agreement or otherwise. A notice of termination given by an Underwriter under this Section 11 shall not be binding upon the other Underwriters. In the event that one or more, but not all of the Underwriters shall exercise the right of termination herein, the other Underwriter(s) shall have the right, but shall not be obligated, to purchase all of the Offered Shares which would otherwise have been purchased by the Underwriter(s) which has so terminated. Nothing in this Section 11 shall oblige the Company to sell to the Underwriters less than all of the Offered Shares.

12. *Effectiveness.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by the Underwriters in connection with this Agreement or the offering contemplated hereunder.

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13. *Counterparts.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

14. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any suit, action or proceeding against any party hereto or any of its assets arising out of or relating to this Agreement may be brought in a competent court of the Province of Ontario and each party hereto hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of such court over the subject matter of any such suit, action or proceeding. Each party hereto irrevocably waives and agrees not to raise any objection it might now or hereafter have to any such suit, action or proceeding in any such court including any objection that the place where such court is located is an inconvenient forum or that there is any other suit, action or proceeding in any other place relating in whole or in part to the same subject matter.

15. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

16. *Notices.* All communications hereunder shall be in writing and shall be telecopied or delivered, and shall, in the case of notice to the Company, be addressed and sent to:

Sino-Forest Corporation  
90 Burnhamthorpe Road West  
Suite 1208  
Mississauga, Ontario  
Canada, L5B 3C3

Attention: Mr. Allen T. Y. Chan  
Telecopier No.: (852) 2877-0125

And in the case of notice to the Underwriters, be addressed and sent to:

Dundee Securities Corporation  
1 Adelaide Street East  
Suite 2700  
Toronto, Ontario  
M5C 2V9

Attention: Mr. Dave Anderson



Telecopier No.: (416) 350-3312

The parties may change their respective addresses and telecopy numbers for notice, by notice given in the manner aforesaid. Any such notification shall be deemed to be effective when telecopied or delivered, if telecopied or delivered to the recipient on a Business Day and before 3:00 p.m. (Toronto time) on such Business Day, and otherwise shall be deemed to be given at 9:00 a.m. (Toronto time) on the next following Business Day.

17. *Successors.* This Agreement shall enure to the benefit of, and shall be binding upon, the Underwriters and the Company and their respective successors and legal representatives and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person.

18. *Public Announcements.* The Company agrees that it shall not make any public announcements regarding the transactions contemplated hereunder without the prior written consent of the Underwriters, such consent not to be unreasonably withheld. The Company agrees that, following Closing, the Underwriters may, at the Underwriters expense, place "tombstone" and other advertisements relating to its role in connection with the Offering.

19. *Time of Essence.* Time shall be of the essence of this Agreement.

20. *Survival.* The respective representations, warranties, agreements, covenants, indemnities and contribution obligations of the Company and the Underwriters set forth in this Agreement shall survive the Closing Date and remain in full force and effect regardless of: (i) any investigation made by or on behalf of the Company, the Underwriters or any of their respective officers or directors; (ii) delivery of and payment for the Offered Shares; and (iii) any subsequent disposition by the Underwriters of the Offered Shares.

21. *Authority of Dundee.* Dundee is hereby authorized by the other Underwriters to act on its behalf and the Company shall be entitled to and shall act on any notice given in accordance with this Agreement or any agreement entered into by or on behalf of the Underwriters by Dundee which represents and warrants that they have irrevocable authority to bind the Underwriters, except in respect of any matters relating to termination, waiver or extension, and Sections 9, 10 and 11, which matters may be acted on by only the Underwriter affected. Dundee shall consult with the other Underwriters concerning any matter in respect of which it acts as

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representative of the Underwriters. The obligations of the Underwriters under this Agreement shall be several and not joint and several.

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Very truly yours

**SINO-FOREST CORPORATION**By: (Signed) ALLEN T.Y. CHAN

Name: Allen T.Y. Chan

Title: Chief Executive Officer

Accepted as of the date hereof

**DUNDEE SECURITIES  
CORPORATION**By: (Signed) DAVID ANDERSON

Name: David Anderson

Title: Executive Vice President &  
Director**CIBC WORLD MARKETS INC.**By: (Signed) ALAN C. WALLACE

Name: Alan C. Wallace

Title: Vice Chairman &  
Managing Director**MERRILL LYNCH CANADA, INC.**By: (Signed) PAUL ALLISON

Name: Paul Allison

Title: Executive Vice President &  
Managing Director**CREDIT SUISSE SECURITIES  
(CANADA) INC.**By: (Signed) RYAN LAPOINTE

Name: Ryan Lapointe

Title: Vice President

**UBS SECURITIES CANADA INC.**(Signed) MICHAEL J. KOUSAIE

Name: Michael J. Koussaie

Title: Executive Director

**HAYWOOD SECURITIES INC.**By: (Signed) BLAKE CORBET

Name: Blake Corbet

Title: Managing Director,  
Investment Banking

SCHEDULE "A"  
OPINION OF COMPANY'S CANADIAN COUNSEL

The opinion of the Company's Canadian Counsel shall relate to the following matters:

1. The Company has been continued and is existing under the laws of Canada, and has all requisite corporate power, capacity and authority to carry on its business and to own, lease and operate its property and assets as described in the prospectus and to execute, deliver and perform its obligations under the Underwriting Agreement.
2. The authorized share capital of the Company consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series (the "Preferred Shares"), of which, prior to the issuance of the Offered Shares, ● Common Shares and no Preferred Shares are duly and validly authorized and issued as fully paid and non-assessable.
3. All necessary corporate action has been taken by the Company to authorize and issue the Offered Shares and, upon receipt by the Company of payment therefor by the Underwriters as provided by the Underwriting Agreement, the Offered Shares will have been validly authorized and issued by the Company as fully paid and non-assessable Common Shares. There are no provisions contained in the articles or by-laws of the Company or under the *Canada Business Corporations Act* that entitle any person to pre-emptive rights in respect of the Offered Shares.
4. To our knowledge, the Company does not have any material subsidiaries organized under the laws of Canada or a province or territory of Canada.
5. All necessary corporate action has been taken by the Company to authorize the execution and delivery of each of the Preliminary Prospectus and the Prospectus and the filing thereof under Canadian Securities Laws in each of the Qualifying Jurisdictions and the distribution of each of the Preliminary International Offering Memorandum and the Final International Offering Memorandum (collectively, the "Offering Memorandum").
6. All necessary corporate action has been taken by the Company to authorize the execution and delivery of the Underwriting Agreement and the performance of the Company's obligations thereunder and the Underwriting Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

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7. The execution and delivery of the Underwriting Agreement and the performance of the Company's obligations thereunder and the issuance, sale and delivery of the Offered Shares, and the use of the proceeds therefrom, do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:
  - (a) any of the terms, conditions or provisions of the articles or by-laws of the Company, or any resolution of any of its directors (or committees of directors) or shareholders; or
  - (b) any laws of the Province of Ontario or the federal laws of Canada applicable therein; or
  - (c) the mortgages, hypothecs, notes, indentures, contracts, agreements and instruments ("Contracts") governed by the laws of the Province of Ontario under which the Company is bound and which are identified on the Officer's Certificate (other than those in respect of which waivers or consents have been received or will be received prior to the Closing Time), except for such conflicts, breaches or defaults which would not:
    - (i) individually or in the aggregate, have a material adverse effect on the general affairs, management, shareholders' equity, results of operations or position, financial or otherwise, of the Company, or
    - (ii) affect the validity of, or have any adverse effect on, the issue and sale of the Offered Shares or other transactions contemplated under the Underwriting Agreement.
8. To our knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or its Subsidiaries is a party or to which any of their material properties or assets are subject other than as described in the Prospectus or have been disclosed to you in writing.
9. The attributes of the Offered Shares are consistent in all material respects with the description thereof in the Prospectus.
10. The form of definitive share certificate representing the Offered Shares has been duly approved and adopted by the Company, complies with applicable law, the articles and the by-laws of the Company and the resolution of the board of directors relating thereto and the share certificate(s) representing the Offered Shares delivered at the Closing Time has or have been duly issued, executed and delivered by or on behalf of the Company.

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11. The Offered Shares have been conditionally approved for listing by the TSX, subject to compliance by the Company with the terms and conditions contained in the letter from the TSX to the Company dated ●, 2007.
12. The Offered Shares are qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the *Income Tax Act* (Canada).
13. CIBC Mellon Trust Company at its principal office in the City of Toronto has been duly appointed as the transfer agent and registrar for the Offered Shares.
14. All documents have been filed and all requisite proceedings have been taken and all approvals, permits, consents and authorizations of appropriate regulatory authorities under Canadian Securities Laws have been obtained to qualify the distribution of the Offered Shares and the Over-Allotment Option in each of the Qualifying Jurisdictions through investment dealers or brokers duly registered under the Canadian Securities Laws of each such Qualifying Jurisdiction who have complied with the relevant provisions of the Canadian Securities Laws of such Qualifying Jurisdiction.
15.
  - (a) The statements made in the Offering Memorandum under the caption "Taxation—Canada" fairly present a general summary of the principal Canadian federal income tax considerations generally applicable to a U.S. Resident, as defined therein, who acquires Offered Shares pursuant to the Offering Memorandum.
  - (b) The statements made in the Prospectus under the caption "Description of Securities Being Distributed", insofar as such statements constitute summaries of the principal attributes of the share capital of the Company or summaries of certain provisions of the *Canada Business Corporations Act*, constitute fair summaries of such attributes and provisions.
  - (c) The statements made in the Offering Memorandum under the caption "Enforcement of Civil Liabilities", insofar as the matters of Ontario law and the federal laws of Canada applicable therein are concerned, are true and accurate.
16. That nothing has come to our attention that leads us to believe that the information contained in the Management Information Circular dated April 27, 2007 prepared in connection with the Company's annual and special shareholders' meeting held on May 28, 2007 (other than the information

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contained under the headings "Executive Compensation - Summary Compensation Table", "Executive Compensation - Compensation and Nominating Committee and Report on Executive Compensation", "Executive Compensation - Shareholder Return Performance Graph", "Indebtedness of Directors and Executive Officers" and "Report on Corporate Governance"), when taken together with the disclosure relating to such matters in the Prospectus, contains any untrue statement of a material fact or omits to state a material fact necessary to make a statement therein not misleading in the light of the circumstances in which it was made, within the meaning of the *Securities Act* (Ontario).

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters' Counsel. In giving their opinions, such counsel shall also be entitled to rely exclusively upon the opinions of local counsel as to the matters mentioned above relating to jurisdictions other than the Province of Ontario.

**SCHEDULE "B"**  
**OPINION OF COMPANY'S PRC COUNSEL**

The opinion of the Company's PRC Counsel shall relate to the following matters:

1. Each of Jiangxi Jiachang Forestry Development Co., Ltd. and Heyuan Jiahe Forestry Development Co., Ltd. (each a "Cooperative Joint Venture Company"; collectively, the "Cooperative Joint Venture Companies") has been duly incorporated under the laws of the PRC as a cooperative joint venture enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights) and to conduct its business as described in the Offering Documents and its constitutive documents, including but not limited to, the business license (the "Joint Venture Documents"), and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification.
  
2. Each of Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. (each a "WFOE"; collectively, the "WFOEs"; and together with the Cooperative Joint Venture Companies, the "PRC Subsidiaries") has been duly incorporated under the laws of the PRC as a wholly foreign owned enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights as disclosed in Item 14 of this opinion) and to conduct business as described in the Offering Documents and its business license, and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification. As confirmed by the Company, Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. are newly established and have not commenced their



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business operation.

3. To the best of our knowledge, each of Sino-Forest Resources Inc. and Suri-Wood Inc. (each a "Foreign Company"; collectively, the "Foreign Companies") has the right to conduct business in the PRC in the manner as presently conducted and as described in the Offering Documents, and has the right to own the purchased tree plantations (as set forth in the Offering Documents) and as approved by the relevant forestry bureaus, has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
4. Each of Sino-Wood (Jiangxi) Limited (HK) and Sino-Wood (Guangdong) Limited (HK) (each a "Foreign Party"; collectively, the "Foreign Parties") is the sole contributor of the respective registered capital of each of the Cooperative Joint Venture Companies respectively and is entitled to share the 70% of the volume of the timber logged from the forestry plantations (70% of the proceeds generated from the timber production of the forestry plantations) of each of the Cooperative Joint Venture Companies as set forth in the Offering Documents, in each case free and clear of all liens, encumbrances, equities, claims, restriction on transfer (other than as required under applicable PRC law or pursuant to the provisions of the Joint Venture Documents of any such Cooperative Joint Venture Company) or other defect of title whatsoever; the contribution of such registered capital and the sharing of the logged timber are valid and lawful under all applicable PRC laws, rules, regulations or guidelines of any local or other court or public, governmental or regulatory agency or body.
5. Each of Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), SFR (China) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sinowin Investments Limited (BVI), Grandeur Winway Limited (BVI), Sino-Forest Investments Limited (BVI), Sino-Forest (China) Investments Co., Ltd. (China), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Xiangxi) Limited (BVI), Sino-Panel (Suzhou) Limited and Sino-Panel (Hunan) Limited is the owner of the 100% registered capital of each of the WFOEs respectively, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law) or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
6. The contracted registered capital of each of the Cooperative Joint Venture Companies has been subscribed in full by the Foreign Parties of each such Cooperative Joint Venture Company and all government approvals relating to

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the subscription thereof have been issued and are in full force and effect. Except for [Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., whose registered capital shall be fully subscribed by [\*] 2007, [\*] 2007 and [\*] 2007 respectively in accordance with their respective approvals], the registered capital of each of the WFOEs has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect.

7. The performance of each Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, of its obligations under the Joint Venture Documents to which it is a party does not contravene, in any material respect, (i) any provision of any PRC law or regulation or (ii) any approval, judgment, order, decree or regulation of any governmental body or agency or any court in the PRC having jurisdiction over such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, or any of the properties of assets of such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be.
8. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries is in violation of or in default under (i) any provision of PRC law or regulation or the articles of association of the respective PRC Subsidiary, (ii) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over any of the PRC Subsidiaries or over any of the properties or assets of the PRC Subsidiaries, except for such violations or defaults that would not have a material adverse effect on the PRC Subsidiaries as a whole or on any of the PRC Subsidiaries individually.
9. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, none of the Foreign Companies is, under the current business model as presently conducted and as described in the Offering Documents, in violation of or in default under (i) any provision of PRC law or regulation, (ii) any agreement governed by PRC law by which it is bound or to which any of its properties or assets is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, , except for such defaults that would not have a material adverse effect on the Foreign

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Companies taken as a whole or on any of the Foreign Companies individually.

10. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, each of the PRC Subsidiaries has duly filed all required tax returns and has paid all material PRC taxes which it is required to have paid, except for taxes payment of which is being contested in good faith by appropriate proceedings and for which reserves and tax provisions deemed by it to be adequate have been set aside or made on its books. For the Foreign Companies conducting authorized trading operations, the PRC taxes which they are required to pay shall be withheld and paid by their respective authorized intermediaries as the withholding and paying agents in accordance with the relevant agreements, and as confirmed by the Company, adequate tax provisions have been made to meet such tax liabilities of the Foreign Companies as disclosed in the Offering Documents.
11. The articles of association of each PRC Subsidiary have been approved by its respective approving authority, are in full force and effect and comply with the requirements of applicable law of the PRC in all material respects.
12. Each of the Joint Venture Documents applicable to each Cooperative Joint Venture Company or Foreign Party constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms.
13. The carrying on of the authorized trading operations by Foreign Companies pursuant to the relevant agreements to which it is a party does not contravene any provision of applicable PRC law, rule or regulation and any such agreements to which a Foreign Company is a party is valid and legally binding, in full force and effect, and enforceable in accordance with its terms and the Foreign Companies have and will have good and valid title to the after-tax profits generated by or derived from such operations, except for those that would not have a material adverse effect on the Foreign Companies taken as a whole or on any of the Foreign Companies individually.
14. The relevant PRC Subsidiaries have duly obtained the relevant Plantation Rights Certificates for their legal titles to the plantation land use rights and the planted tree plantations. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, as of [March 31], 2007, the relevant PRC Subsidiaries have the right to use approximately [58,000] hectares of plantation land contributed by the PRC partners of the Cooperative Joint Venture Companies or leased from other parties, in which the approximately [18,900] hectares of plantation land are currently used by

Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. Since Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. have been approved to be converted into WFOEs and obtained their new Business Licenses, they will need to negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreement or lease agreement, go through the requisite legal formalities for the transfer of plantation land and obtain the Plantation Rights Certificates for those plantation lands in accordance with the relevant PRC laws and regulations.

15. The Foreign Companies have duly obtained the approvals from the relevant forestry bureaus for the acquisition of the purchased tree plantations. According to the relevant purchased tree contracts entered into by the Foreign Companies as of [March 31], 2007 and as confirmed by the relevant local forestry bureaus in their respective approvals, the Foreign Companies have the right to own approximately [294,000] hectares of the purchased trees plantations acquired by such Foreign Companies. According to the relevant purchased tree contracts, the Foreign Companies have the right, but not an obligation, to acquire plantation land use rights for the lands underlying the purchased trees acquired pursuant to the purchased tree contracts entered into as of [March 31], 2007, subject to the execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
16. The Agreement for Long Term Cooperation on Wood Supply entered into between Sino-Forest (Guangzhou) Trading Co., Ltd., Inner Mongolia Forest and Timber Resources Co., Ltd. and Erliahaote Joint Forestry Bureau on 31 July 2006 is legal, valid and enforceable under the PRC laws and regulations. The implementation of the aforesaid agreement is subject to the execution of specific agreements between the relevant parties.
17. Each of the two Master Agreements for Acquisition of Pine and Fir Forest dated 28 September 2006 and 7 December 2006, respectively (collectively, the "Hunan Master Agreements"), between Sino-Panel (Asia) Inc. and Hongjiang City Forestry Technology Integrated Development Services Company ("Hongjiang City Company") is legal, valid and enforceable under PRC laws and regulations; under the Hunan Master Agreements, (i) Sino-Panel (Asia) Inc. will purchase approximately 100,000 hectares and 300,000 hectares, respectively, of plantation trees in Hongjiang City, Huaihua City, Shaoyang City and its surrounding areas in the Hunan Province, in the PRC over a 14 year period, the specific terms and conditions of such purchase to be determined upon the execution of definitive agreements between the PRC subsidiaries of the Company and Hongjiang City Company and subject to requisite plantation rights registration procedures in accordance with the

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relevant PRC laws and regulations; and (ii) Sino-Panel (Asia) Inc., through the PRC subsidiaries of the Company, also has the rights to acquire the plantation land use rights of the plantation land for up to 50 years after harvesting, subject to execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.

18. The Master Agreement for the Acquisition of Pine and Broadleaved Shaw dated March 23, 2007 (the "Yunan Master Agreement") between Sino-Panel (Asia) Inc. and Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd. ("Gengma Forestry"), a company established in Lincang City, Yunnan Province in the PRC is legal, valid and enforceable under PRC laws and regulations. Under the Yunan Master Agreement, the specific terms and conditions of such purchase will be determined upon the execution of definitive agreements between the PRC subsidiaries of the Company and Gengma Forestry and subject to requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
19. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no legal or governmental proceedings pending in the PRC to which, the Company, any Foreign Parties, Foreign Companies or PRC Subsidiary is a party or to which any of their respective properties or assets is subject; there are no legal or governmental proceedings pending in the PRC which could, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company, any Foreign Parties, any Foreign Companies and the RPC Subsidiaries taken as a whole, or the Company, any Foreign Parties, any Foreign Companies or PRC Subsidiary individually, the validity or enforceability of the Underwriting Agreement or the transactions contemplated therein and as disclosed in the Offering Documents; and, to the best of such counsel's knowledge, information and belief and as confirmed by the Company, no such proceedings are threatened.
20. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no outstanding guarantees or contingent payment obligations of each of the PRC Subsidiaries in respect of indebtedness of third parties except for [the mortgages relating to the land use rights and building ownership of Guangdong Jiayao Wood Products Development Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. and except for those as described in the Offering Documents].
21. Each of the PRC Subsidiaries owns or has been granted all necessary rights to use, for the approved duration of such PRC Subsidiary, all of the properties

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and assets owned or used by it or transferred, assigned or otherwise conveyed to it in connection with its formation or thereafter, free and clear of all claims, liens, security interests or other encumbrances except for the mortgages or guarantees as described in Item 20 of this opinion or are not material, individually or in the aggregate, to the business of the Company and the PRC Subsidiaries, taken as a whole or individually; each of the PRC Subsidiaries, as the case may be, has the right to use all such plantation lands or has obtained the land use rights to conduct their respective business now being conducted, except as disclosed in Item 20 of this opinion, all such plantation land-use rights or land use rights are free and clear of all encumbrances and defects, and all such plantation land-use rights or land use rights are valid, binding and enforceable in accordance with their respective terms; and all real property and buildings held under lease, if any, by each of the PRC Subsidiaries are held by each of them under valid, binding and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment, taken as a whole or individually.

22. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries (i) is in compliance in all material respects with all applicable laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received in all material respects all permits, licenses and approvals which are currently required under applicable Environmental Laws to conduct its business now being conducted, including to construct, own and operate its respective plant facilities, as described in the Offering Documents and (iii) is in compliance with the PRC environmental laws and regulations, except for those that would not have a material adverse effect on the PRC Subsidiaries taken as a whole or on any of the PRC Subsidiaries individually.
23. All descriptions in the Offering Documents of PRC laws or regulations and contracts, documents and matters governed by or under PRC law are accurate in all material respects; to the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no franchise, contracts, indentures, mortgages, loans, notes, leases or other instruments required to be described or referred to in the Offering Documents in all material aspects other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects.
24. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, the

issue and sale of the Offered Shares and the execution and delivery by the Company of, and the performance by the Company of its obligations under the Underwriting Agreement and the consummation by the Company of the transactions contemplated therein and in the Offering Documents (i) will not contravene (A) any provision of PRC law or regulations, (B) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject, (C) any material agreement governed by PRC law by which the Company or any of the Foreign Companies is bound or to which any of the properties or assets of the Foreign Companies is subject, or (D) any regulation, judgment, order or decree of any governmental body, agency or any court in the PRC or (ii) will not result in the creation or imposition of any claim, lien, mortgage, security interest or other encumbrance on any property or assets of the PRC Subsidiaries or on any purchased trees plantations of the Foreign Companies in the PRC.

25. All such licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC as are currently required for (i) the PRC Subsidiaries' ownership and use of their properties and assets, the construction of their plant facilities and the conduct of their business in the manner as described in the Offering Documents and (ii) the Foreign Companies to own the purchased tree plantations and conduct business in the manner as described in the Offering Documents have been obtained or made and are in full force and effect, except for those that are not material, individually or in the aggregate, to the business, operations and financial conditions of the PRC Subsidiaries, the Foreign Parties or the Foreign Companies, taken as a whole or individually.
26. The application of the net proceeds from the offering, as contemplated by the Offering Documents, will not (i) contravene any provision of applicable PRC law, rule or regulation or the articles of association and any amendment thereof or the business license of any of PRC Subsidiaries or (ii) to the best of such counsel's knowledge, information and belief after reasonable investigation and due inquiry, contravene the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, loan agreement, lease or other agreement binding upon any PRC Subsidiaries, (B) any indenture, mortgage, loan agreement, lease or other agreement governed by PRC law by which the Company or any of the Foreign Companies or PRC Subsidiaries is bound or to which any the properties or assets of the Foreign Companies or PRC Subsidiaries is subject or (C) any judgment, order or decree of any governmental body, agency or court in the PRC.

27. Except for Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., subject to compliance with the requisite procedures under the PRC laws and regulations, each PRC Subsidiary has full power and authority to effect dividend payments and remittances thereof outside the PRC in foreign currency free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC. Since the registered capital of Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. have not been fully paid up by their investors, the dividend payments and remittances thereof shall be made in proportion to the paid-up contributions of their respective registered capital.
28. To the best of such counsel's knowledge, information and belief after due investigation and inquiry and as confirmed by the Company, except that (i) the Cooperative Joint Venture Companies are in the process of being converted into wholly foreign owned enterprises, and (ii) SFR (Suzhou) Co., Ltd. is in the process of being merged with and absorbed by Jiafeng Wood (Suzhou) Co., Ltd. and its registration will be cancelled, none of the PRC Subsidiaries nor any other person has taken any action nor have any other steps been taken or legal proceedings been started or threatened against any of the PRC Subsidiaries for its winding up or dissolution, or for the withdrawal, revocation or cancellation of the business license of any of the PRC Subsidiaries; and no notice of appointment of a receiver of any of the PRC Subsidiaries or any of its assets has been issued and no declaration or order of insolvency has been or is threatened to be made.
29. The statements in the Final International Offering Memorandum under the headings "Risk Factors", "Summary Description of the Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Government Regulation" and "Forestry Plantation Contractual Arrangements" insofar as such statements constitute summaries of the laws or regulations of the PRC or documents governed by PRC law as of the date hereof, fairly present the information called for with respect to such legal matters and documents and fairly summarize matters referred to therein.
30. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, such counsel is of the opinion that as



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long as agreements are reached with relevant PRC partners of the Cooperative Joint Venture Companies, there are no legal impediments for the Cooperative Joint Venture Companies to be converted into wholly foreign owned enterprises.

31. Such counsel has generally reviewed and discussed with the Underwriters' representatives and with certain officers and employees of, and counsel and independent accountants for, the Company the information furnished, and the Company has confirmed such information to such counsel. On the basis of such consideration, review, discussion and confirmation, with ordinary care and due diligence as a PRC legal counsel, but without independent check or verification, except as stated, such counsel has no reason to believe that (other than (i) the report of Pöyry Forest Industry Ltd. incorporated by reference in the Offering Documents and (ii) the financial statements and other financial and statistical data contained in the Offering Documents (which include the section headed "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP") contained in the Final International Offering Memorandum, as to which such counsel is not called upon to express any belief), the Offering Documents contained as of its date or contains as of the date of this opinion any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, insofar as they constitute matters of PRC laws, or summaries of PRC legal matters, purport to describe provisions of PRC laws, in all material respects, not misleading.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters' Counsel.

SCHEDULE "C"  
OPINION OF COMPANY'S U.S. COUNSEL

The opinion of the Company's U.S. Counsel shall relate to the following matters:

1. Assuming (i) the representations of the Underwriters and the Company contained in the Agreement are true and correct and (ii) compliance by the Underwriters and the Company with their respective covenants set forth in the Agreement, it is not necessary in connection with the offer, sale and delivery of the Offered Shares to the Underwriters pursuant to the Agreement or the initial offer and resales of the Offered Shares by the Underwriters in the manner contemplated by the Agreement and described in the Final International Offering Memorandum, to register the Offered Shares under the Securities Act of 1933;
2. No consent, approval, waiver, license or authorization or other action by, or filing with, any U.S. federal or New York governmental authority is required in connection with the execution and delivery by the Company of the Agreement, the consummation by the Company of the transactions contemplated by the Agreement or the performance by the Company of its obligations under the Agreement, except for state securities or "blue sky" laws, as to which such counsel need express no opinion;
3. The execution and delivery of the Agreement and the performance by the Company of its obligations under the Agreement will not conflict with, constitute a default or violate (a) any statute, rule or regulation of any United States federal or New York State governmental agency or body, except that such counsel expresses no opinion in relation to any violation of the anti-fraud provisions of United States federal laws or New York State securities laws, (b) the terms, conditions or provisions of any document, agreement or other instrument listed on a schedule to such counsel's opinion or (c) any judgment, writ, injunction, decree, order or ruling of any New York State or U.S. federal court or governmental authority binding on the Company of which such counsel is aware;
4. The statements made in the Final International Offering Memorandum under the caption "U.S. Federal Income Taxation," insofar as they purport to constitute summaries of matters of U.S. federal tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material respects; and
5. The Company is not, and immediately after giving effect to the transactions contemplated by the Agreement and the Final International Offering Memorandum and the application of the net proceeds of the Offering as

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described in the Final International Offering Memorandum, will not be, required to be registered as an "investment company", under U.S. Investment Company Act of 1940, as amended.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters' Counsel.

**SCHEDULE "D"**  
**OPINION OF COMPANY'S HONG KONG COUNSEL**

The opinion of the Company's Hong Kong Counsel shall be in or substantially in the following form:

*[Note: The contents of this opinion letter are subject to any change to Hong Kong law and the results of the examination of the documents described]*

[•] June 2007<sup>1</sup>

To: Sino-Forest Corporation (the "Company")

Dear Sir

**SINO-FOREST CORPORATION**

- 1 We understand that this opinion letter is to be delivered to the Underwriters (as defined below) pursuant to section [5(e)] of the underwriting agreement between the Company and Dundee Securities Corporation, CIBC World Markets Inc., Merrill Lynch Canada, Inc., Credit Suisse Securities (Canada) Inc., UBS Securities Canada Inc. and Haywood Securities Inc. (collectively the "Underwriters") dated [28] May 2007 (the "Underwriting Agreement"). We do not act for or in relation to any of the Underwriters or any of the Group Companies (as set out in Schedule 1 to the Underwriting Agreement) in relation to or in connection with the issue of the Offered Shares (as defined in the Underwriting Agreement) or any of the other acts contemplated by or referred to in the Underwriting Agreement or the Underwriting Agreement itself; and our engagement in relation to the Company is in respect of the issue of this opinion letter only. For the purpose of this opinion letter, the "Hong Kong Subsidiaries" means Sino-Wood Partners, Limited, Sino-Plantation Limited, Sino-Wood (Guangxi) Limited, Sino-Wood (Jiangxi) Limited, Sino-Wood (Guangdong) Limited and Sino-Wood (Fujian) Limited.
  
- 2 This opinion letter is limited to the laws of the Hong Kong Special Administrative Region ("Hong Kong" or the "HKSAR") of the People's Republic of China (the "PRC") in force at the date of this opinion letter and is given on the basis that it will be governed by and construed in accordance with Hong Kong law. We express no opinion on any law other than Hong Kong law. We have not made any investigation or enquiry other than as stated in paragraph 3. Our opinion is limited to the matters specifically and

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<sup>1</sup> To be on or around [14] June 2007.

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expressly stated in paragraph 5. All references to the date of this opinion letter shall be construed in accordance with Hong Kong time.

3 We have examined the following:

- (a) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>2</sup> at the Hong Kong Business Registration Office (the "Business Registration Search");
- (b) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>3</sup> at the Hong Kong Companies Registry (the "Company Search");
- (c) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>4</sup> at the Official Receiver's office of Hong Kong (the "Official Receiver Search");
- (d) the results disclosed by the search made by Target On-Line Financial Ltd. ("Tolfin") in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>5</sup> against the Cause Book of the Registry of the High Court of Hong Kong and the Cause Book of the Registry of the District Courts of Hong Kong (the "Cause Book Enquiry");
- (e) the following documents provided to us by or on behalf of the Company:
  - (i) the register of members of each of the Hong Kong Subsidiaries; and
  - (ii) a declaration of trust made by Tak Yuen Chan dated 17 March 1994 in respect of 1 share in the capital of Sino-Wood Partners, Limited in favour of Sino-Forest Corporation; a declaration of trust made by Chan Tak Yuen dated 26 October 2002 in respect of 1 share in the capital of Sino-Plantation Limited in favour of Sino-Wood Partners, Limited; a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in respect of 1 share in the capital of Sino-Wood (Guangxi) Limited in favour of Sino-

<sup>2</sup> To be on or around [14] June 2007.

<sup>3</sup> To be on or around [14] June 2007.

<sup>4</sup> To be on or around [14] June 2007.

<sup>5</sup> To be on or around [14] June 2007.

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Plantation Limited; a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in respect of 1 share in the capital of Sino-Wood (Jiangxi) Limited in favour of Sino-Plantation Limited; a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in respect of 1 share in the capital of Sino-Wood (Guangdong) Limited in favour of Sino-Plantation Limited; and a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in respect of 1 share in the capital of Sino-Wood (Fujian) Limited in favour of Sino-Plantation Limited; and

- (f) a certificate of a director of Sino-Wood Partners, Limited dated [•] June 2007<sup>6</sup>; a certificate of a director of Sino-Plantation Limited dated [•] June 2007<sup>7</sup>; a certificate of a director of Sino-Wood (Guangxi) Limited dated [•] June 2007<sup>8</sup>; a certificate of a director of Sino-Wood (Jiangxi) Limited dated [•] June 2007<sup>9</sup>; a certificate of a director of Sino-Wood (Guangdong) Limited dated [•] June 2007<sup>10</sup>; and a certificate of a director of Sino-Wood (Fujian) Limited dated [•] June 2007<sup>11</sup> (collectively the "Certificates of Directors").

4 For the purpose of this opinion letter, we have assumed without further inquiry that

- (a) the information disclosed by the Business Registration Search is true and complete as at [•] June 2007<sup>12</sup> and has not since then been altered and that the Business Registration Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Hong Kong Business Registration Office of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiaries;
- (b) the information disclosed by the Company Search is true and complete as at [•] June 2007<sup>13</sup> and has not since then been altered and that the

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6 This will be the date of this opinion letter.  
 7 This will be the date of this opinion letter.  
 8 This will be the date of this opinion letter.  
 9 This will be the date of this opinion letter.  
 10 This will be the date of this opinion letter.  
 11 This will be the date of this opinion letter.  
 12 This will be the date of the search.  
 13 This will be the date of the search.

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Company Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Hong Kong Companies Registry of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiaries;

- (c) the information disclosed by the Official Receiver Search is true and complete as at [•] June 2007<sup>14</sup> and has not since then been altered and that the Official Receiver Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Official Receiver's office of Hong Kong of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiaries;
- (d) the information disclosed by the Cause Book Enquiry is true and complete as at [•] June 2007<sup>15</sup> and has not since then been altered and the Cause Book Enquiry did not fail to disclose any proceeding or action or other information which had been issued or published by the High Court or any District Court or any office or department or other part of the Government of the Hong Kong (or which appeared on the Cause Book of the Registry of the High Court of Hong Kong or the Cause Book of the Registry of the District Courts of Hong Kong) at the time of the enquiry; it should be noted that there can be a delay between the issue or publication of information and the appearance of that information on the Cause Book of the Registry of the High Court of Hong Kong or the Cause Book of the Registry of the District Courts of Hong Kong;
- (e) all signatures, seals and chops are genuine, and the identity and legal capacity of all signatories and corporate officers are correct;
- (f) all persons signing, sealing, delivering and/or issuing the certificates, documents and corporate records provided to us had due power and authority to do so and had taken all necessary corporate and other action to sign, seal, deliver and/or issue such certificates, documents and corporate records;

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<sup>14</sup> This will be the date of the search.

<sup>15</sup> This will be the date of the search.

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- (g) all certificates, documents and corporate records provided to us expressed to be signed, sealed, delivered and/or issued have been duly signed, sealed, delivered and/or issued;
- (h) each declaration of trust described in paragraph [3(e)(ii)] above was when made and is legal, valid, binding and enforceable in accordance with its terms and no such declaration of trust has been revoked or modified;
- (i) Chan Tak Yuen and Tak Yuen Chan refer to the same person;
- (j) all certificates, documents and corporate records provided to us are authentic, accurate and complete, whether as originals or copies; and that, in particular, all certificates, documents and corporate records presented as copies are accurate and complete as at the date of this opinion letter and in conformity with their respective originals;
- (k) there has been no general meeting of and no board meeting of any of the Hong Kong Subsidiaries and no written resolution by the members or the directors of any of the Hong Kong Subsidiaries in which the members or the directors of such Hong Kong Subsidiary/Subsidiaries have passed a resolution or resolutions and the record of which has not been brought specifically to our attention in writing and/or not delivered to the Hong Kong Companies Registry for registration;
- (l) the accuracy, currency and completeness of all statements and information contained in all certificates, documents and corporate records examined by us; and
- (m) there has been no change in the circumstances or prospects of any Group Company which is material to the statements herein which has not been brought specifically to our attention in writing.

5 Based on and subject to and relying on the foregoing and the qualifications and reservations in paragraph 6, we are of the following opinion:

- (a) Each of the Hong Kong Subsidiaries is duly incorporated in Hong Kong under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the "Companies Ordinance") and is validly existing as a limited liability company under the laws of Hong Kong.



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- (b) Based solely on the memorandum and articles of association of each of the Hong Kong Subsidiaries revealed by the Company Search, the business registration certificate of each of the Hong Kong Subsidiaries revealed by the Business Registration Search and the Certificates of Directors, each of the Hong Kong Subsidiaries has the corporate power and authority to own its real property/properties (if any), to hold shares in other companies and to carry on its business as a holding company.
- (c) The Company Search revealed no order or resolution for the winding-up of any of the Hong Kong Subsidiaries and no notice of appointment of a receiver; however, such search is not capable of revealing a winding-up order or resolution made, or an appointment of a receiver, immediately prior to the conduct of the Company Search.
- (d) The Official Receiver Search revealed that no petition for the winding-up of any of the Hong Kong Subsidiaries had been presented; however, a winding-up petition may be presented but not filed at the Official Receiver's Office immediately upon such presentation.
- (e) The Cause Book Enquiry revealed (i) no proceeding before the Hong Kong High Court against any of the Group Companies and (ii) no action before any Hong Kong District Court against any of the Group Companies; however, such an enquiry is not capable of revealing any proceeding or action commenced immediately prior to the making of the Cause Book Enquiry.
- (f) Based solely on the memorandum and articles of association of each of the Hong Kong Subsidiaries revealed by the Company Search and the Certificates of Directors, the issue of shares in the capital of each of the Hong Kong Subsidiaries has been duly authorised.
- (g) Based solely on the register of members of Sino-Wood Partners, Limited as at [•] June 2007<sup>16</sup>, 2,999,999 Ordinary Shares and 129,927 Class B Shares in the capital of Sino-Wood Partners, Limited are held by Sino-Forest Corporation and 1 Ordinary Share in the capital of Sino-Wood Partners, Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 17 March 1994 in favour of Sino-Forest Corporation, the 1 share in the capital of Sino-Wood Partners, Limited held by Chan Tak Yuen is held by Chan Tak

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<sup>16</sup> This will be the date the register is examined.

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Yuen as nominee for Sino-Forest Corporation. Based solely on a special resolution of Sino-Wood Partners, Limited passed on 10 March 2003 revealed by the Company Search, such share has been designated and registered as an Ordinary Share.

- (h) Based solely on the register of members of Sino-Plantation Limited as at [•] June 2007<sup>17</sup>, 4,999 shares in the capital of Sino-Plantation Limited are held by Sino-Wood Partners Limited and 1 share in the capital of Sino-Plantation Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 26 October 2002 in favour of Sino-Wood Partners, Limited, the 1 share in the capital of Sino-Plantation Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Wood Partners, Limited.
- (i) Based solely on the register of members of Sino-Wood (Guangxi) Limited as at [•] June 2007<sup>18</sup>, 1 share in the capital of Sino-Wood (Guangxi) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Guangxi) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in favour of Sino-Plantation Limited, the 1 share in the capital of Sino-Wood (Guangxi) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.
- (j) Based solely on the register of members of Sino-Wood (Jiangxi) Limited as at [•] June 2007<sup>19</sup>, 1 share in the capital of Sino-Wood (Jiangxi) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Jiangxi) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in favour of Sino-Plantation Limited, the 1 share in the capital of Sino-Wood (Jiangxi) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.
- (k) Based solely on the register of members of Sino-Wood (Guangdong) Limited as at [•] June 2007<sup>20</sup>, 1 share in the capital of Sino-Wood (Guangdong) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Guangdong) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in favour of Sino-Plantation Limited, the 1 share in the

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<sup>17</sup> This will be the date the register is examined.

<sup>18</sup> This will be the date the register is examined.

<sup>19</sup> This will be the date the register is examined.

<sup>20</sup> This will be the date the register is examined.

capital of Sino-Wood (Guangdong) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.

- (i) Based solely on the register of members of Sino-Wood (Fujian) Limited as at [•] June 2007<sup>21</sup>, 1 share in the capital of Sino-Wood (Fujian) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Fujian) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in favour of Sino-Plantation Limited, the 1 share in the capital of Sino-Wood (Fujian) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.

- 6 On 1 July 1997, Hong Kong became the Hong Kong Special Administrative Region of the PRC. On 4 April 1990, the National People's Congress (the "NPC") of the PRC adopted the Basic Law of the HKSAR (the "Basic Law"). Under Article 8 of the Basic Law, the laws of Hong Kong in force at 30 June 1997 (that is, the common law, rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law and subject to any amendment by the legislature of the HKSAR. Under Article 160 of the Basic Law, the laws of Hong Kong in force at 30 June 1997 shall be adopted as laws of the HKSAR unless they are declared by the Standing Committee of the NPC (the "Standing Committee") to be in contravention of the Basic Law and, if any laws are later discovered to be in contravention of the Basic Law, they shall be amended or cease to have force in accordance with the procedure prescribed by the Basic Law.

On 23 February 1997, the Standing Committee adopted a decision (the "Decision") on the treatment of laws previously in force in Hong Kong. Under paragraph 1 of the Decision, the Standing Committee decided (as translated by us) that "the laws previously in force in Hong Kong, which include the common law, rules of equity, ordinances, subsidiary legislation and customary law, except for those which contravene the Basic Law, are to be adopted as the laws of the HKSAR". Under paragraph 2 of the Decision, the Standing Committee decided that the ordinances and subsidiary legislation set out in Annex 1 to the Decision "which are in contravention of the Basic Law" are not to be adopted as the laws of the HKSAR. One of the ordinances set out in that Annex is the Application of English Law Ordinance (Cap. 88) (the "English Law Ordinance"). The English Law Ordinance applied the common law and rules of equity of England to Hong Kong. We

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<sup>21</sup> This will be the date the register is examined.

have assumed in giving this opinion letter that the effect of paragraph 2 of the Decision, insofar as it relates to the English Law Ordinance, is to repeal the English Law Ordinance prospectively and that the common law and rules of equity of England which applied in Hong Kong on 30 June 1997 continue to apply, subject to their subsequent independent development which will rest primarily with the courts of the HKSAR which are empowered by the Basic Law to refer to precedents of other common law jurisdictions when adjudicating cases.

- 7 This letter is addressed to the Company solely for its benefit for the purpose of section [5(e)] of the Underwriting Agreement. It may not be transmitted to anyone else (other than the Underwriters) and cannot be relied upon by anyone or for any other purpose or quoted or referred to in any other document or filed with anyone and neither its contents nor its existence may be disclosed without our prior written consent.

Yours faithfully

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of any Group Company, matters disclosed as the result of public searches, corporate and other documents provided by any Group Company, any Group Company's registrar and transfer agent and any Group Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as such counsel deems appropriate.

### Schedule 1 - Group Companies

1. the Company;
2. the following subsidiaries of the Company incorporated in Hong Kong (the "Hong Kong Subsidiaries"):
  - (i) Sino-Wood Partners, Limited
  - (ii) Sino-Plantation Limited
  - (iii) Sino-Wood (Guangxi) Limited;
  - (iv) Sino-Wood (Jiangxi) Limited;
  - (v) Sino-Wood (Guangdong) Limited; and
  - (vi) Sino-Wood (Fujian) Limited.
3. the following subsidiaries of the Company incorporated in British Virgin Islands (the "BVI Subsidiaries"):
  - (i) Sino-Forest Resources Inc.;
  - (ii) Suri-Wood Inc.;
  - (iii) Sino-Global Holdings Inc.;
  - (iv) Grandeur Winway Ltd.;
  - (v) Sinowin Investments Ltd.;
  - (vi) Dynamic Profit Holdings Limited;
  - (vii) Sino-Forest Investments Limited;
  - (viii) Sino-Panel (Gaoyao) Ltd.;
  - (ix) Sino-Panel (Xiangxi) Limited;
  - (x) Sino-Panel (North East China) Limited;
  - (xi) Sino-Panel Holdings Limited;
  - (xii) Sino-Panel (Asia) Inc.;
  - (xiii) Sino-Panel (Gaoyao) Ltd.;
  - (xiv) SFR (China) Inc.;

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- (xv) Sino-Panel (Suzhou) Limited; and
  - (xvi) Sino-Panel (Hunan) Limited.
4. the following subsidiaries of the Company incorporated in People's Republic of China (the "PRC Subsidiaries"):
- (i) 广西桂嘉林业有限公司 (Guangxi Guijia Forestry Co., Ltd.);
  - (ii) 江西嘉昌林业发展有限公司 (Jiangxi Jiachang Forestry Development Co., Ltd.);
  - (iii) 河源嘉河林业发展有限公司 (Heyuan Jiahe Forestry Development Co., Ltd.);
  - (iv) 高要嘉耀林业发展有限公司 (Gaoyao Jiayao Forestry Development Co., Ltd.);
  - (v) 漳州嘉闽林业发展有限公司 (Zhangzhou Jiamin Forestry Development Co., Ltd.);
  - (vi) Sino-Forest (China) Investments Limited;
  - (vii) Sino-Forest (Heyuan) Co., Ltd.;
  - (viii) Sino-Forest (Guangzhou) Co., Ltd.;
  - (ix) Sino-Forest (Guangzhou) Trading Co., Ltd.;
  - (x) Sino-Forest (Suzhou) Trading Co., Ltd.;
  - (xi) Sino-Forest (Anhui) Co., Ltd.;
  - (xii) 广东嘉耀木业发展有限公司 (Guangdong Jiayao Wood Products Development Co., Ltd.);
  - (xiii) 嘉成木业(苏州)有限公司 (SFR (Suzhou) Co., Ltd.);
  - (xiv) 嘉丰木业(苏州)有限公司 (Jiafeng Wood (Suzhou) Co., Ltd.);
  - (xv) Sino-Maple (Shanghai) Co., Ltd.;
  - (xvi) Sino-Maple (Shanghai) Trading Co., Ltd.;

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- (xvii) Sinowin Plantings (Suzhou) Co. Ltd.;
- (xviii) Hunan Jiayu Wood Products Co., Ltd.;
- (xix) Xiangxi Autonomous State Jiayi Forest Development Co., Ltd.;
- (xx) Heilongjiang Jiamu Panel Co., Ltd.;
- (xxi) Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.;
- (xxii) Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd.; and
- (xxiii) Shaoyang Autonomous State Jiading Forest Development Co., Ltd.

SCHEDULE "E"  
OPINION OF UNDERWRITERS' CANADIAN COUNSEL

The opinion of the Underwriters' Canadian Counsel shall relate to the following matters:

1. The Underwriting Agreement has been duly authorized, executed and delivered by the Company, and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms under the laws of the Province of Ontario and the federal laws of Canada applicable therein.
2. All documents required to be filed by the Company, all proceedings required to be taken by the Company, and all approvals, permits, consents and authorizations of the Securities Regulators required to be obtained by the Company under Canadian Securities Laws, have been filed, taken or obtained in the Qualifying Jurisdictions in order to qualify the Shares for distribution (or distribution to the public, as the case may be), in each of the Qualifying Jurisdictions through registrants registered under Canadian Securities Laws who have complied with the relevant provisions of such laws.
3. The form of definitive share certificate representing Common Shares has been duly approved and adopted by the Company, complies with the requirements of the *Canada Business Corporations Act*, and complies with the requirements of the articles of continuance of the Company and by-laws (and all amendments thereto).
4. The share certificate representing the Purchased Shares delivered to you, or as directed by you, on the date hereof, has been duly executed and delivered by or on behalf of the Company.
5. The Shares have been conditionally approved for listing by the Toronto Stock Exchange, subject to the Company fulfilling all of the conditions set by the Toronto Stock Exchange in the TSX Letter.
6. Provided the Shares are listed on the Toronto Stock Exchange, the Shares are, at the date hereof, qualified investments under the *Income Tax Act* (Canada) and the regulations there under for trusts governed by registered retirement savings plans, registered retirement income funds, and deferred profit sharing plans (collectively, the "Plans") and registered education savings plans, subject to the specific provisions of any particular plan. In the opinion of such counsel, based in part on reliance on a certificate of an officer of the Company, the Shares will not constitute foreign property, as at the date



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hereof, for the Plans and other persons subject to tax under Part XI of the *Income Tax Act* (Canada) and the regulations there under.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters. In giving their opinions, such counsel shall also be entitled to rely exclusively upon the opinion of (i) Aird & Berlis LLP with respect to paragraphs 1, 3 and 4 above, and (ii) local counsel as to the matters mentioned above relating to jurisdictions other than the Provinces of British Columbia, Alberta and Ontario.

**SCHEDULE "F"**  
**OPINION OF UNDERWRITERS' PRC COUNSEL**

The opinion of the Underwriters' PRC Counsel shall relate to the following matters:

1. Each of Jiangxi Jiachang Forestry Development Co., Ltd. and Heyuan Jiahe Forestry Development Co., Ltd. (each a "Cooperative Joint Venture Company"; collectively, the "Cooperative Joint Venture Companies") has been duly incorporated under the laws of the PRC as a cooperative joint venture enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights) and to conduct its business as described in the Offering Documents and its constitutive documents, including but not limited to, the business license (the "Joint Venture Documents"), and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification.
  
2. Each of Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. (each a "WFOE"; collectively, the "WFOEs"; and together with the Cooperative Joint Venture Companies, the "PRC Subsidiaries") has been duly incorporated under the laws of the PRC as a wholly foreign owned enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights as disclosed in Item 14 of this opinion) and to conduct business as described in the Offering Documents and its business license, and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification. As confirmed by the Company, Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest

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Development Co., Ltd. are newly established and have not commenced their business operation.

3. To the best of our knowledge, each of Sino-Forest Resources Inc. and Suri-Wood Inc. (each a "Foreign Company"; collectively, the "Foreign Companies") has the right to conduct business in the PRC in the manner as presently conducted and as described in the Offering Documents, and has the right to own the purchased tree plantations (as set forth in the Offering Documents) and as approved by the relevant forestry bureaus, has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
4. Each of Sino-Wood (Jiangxi) Limited (HK) and Sino-Wood (Guangdong) Limited (HK) (each a "Foreign Party"; collectively, the "Foreign Parties") is the sole contributor of the respective registered capital of each of the Cooperative Joint Venture Companies respectively and is entitled to share the 70% of the volume of the timber logged from the forestry plantations (70% of the proceeds generated from the timber production of the forestry plantations) of each of the Cooperative Joint Venture Companies as set forth in the Offering Documents, in each case free and clear of all liens, encumbrances, equities, claims, restriction on transfer (other than as required under applicable PRC law or pursuant to the provisions of the Joint Venture Documents of any such Cooperative Joint Venture Company) or other defect of title whatsoever; the contribution of such registered capital and the sharing of the logged timber are valid and lawful under all applicable PRC laws, rules, regulations or guidelines of any local or other court or public, governmental or regulatory agency or body.
5. Each of Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), SFR (China) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sinowin Investments Limited (BVI), Grandeur Winway Limited (BVI), Sino-Forest Investments Limited (BVI), Sino-Forest (China) Investments Co., Ltd. (China), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Xiangxi) Limited (BVI), Sino-Panel (Suzhou) Limited and Sino-Panel (Hunan) Limited is the owner of the 100% registered capital of each of the WFOEs respectively, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law) or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
6. The contracted registered capital of each of the Cooperative Joint Venture Companies has been subscribed in full by the Foreign Parties of each such

Cooperative Joint Venture Company and all government approvals relating to the subscription thereof have been issued and are in full force and effect. Except for [Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., whose registered capital shall be fully subscribed by [\*] 2007, [\*] 2007 and [\*] 2007 respectively in accordance with their respective approvals], the registered capital of each of the WFOEs has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect.

7. The performance of each Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, of its obligations under the Joint Venture Documents to which it is a party does not contravene, in any material respect, (i) any provision of any PRC law or regulation or (ii) any approval, judgment, order, decree or regulation of any governmental body or agency or any court in the PRC having jurisdiction over such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, or any of the properties of assets of such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be.
8. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries is in violation of or in default under (i) any provision of PRC law or regulation or the articles of association of the respective PRC Subsidiary, (ii) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over any of the PRC Subsidiaries or over any of the properties or assets of the PRC Subsidiaries, except for such violations or defaults that would not have a material adverse effect on the PRC Subsidiaries as a whole or on any of the PRC Subsidiaries individually.
9. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, none of the Foreign Companies is, under the current business model as presently conducted and as described in the Offering Documents, in violation of or in default under (i) any provision of PRC law or regulation, (ii) any agreement governed by PRC law by which it is bound or to which any of its properties or assets is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, , except for

such defaults that would not have a material adverse effect on the Foreign Companies taken as a whole or on any of the Foreign Companies individually.

10. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, each of the PRC Subsidiaries has duly filed all required tax returns and has paid all material PRC taxes which it is required to have paid, except for taxes payment of which is being contested in good faith by appropriate proceedings and for which reserves and tax provisions deemed by it to be adequate have been set aside or made on its books. For the Foreign Companies conducting authorized trading operations, the PRC taxes which they are required to pay shall be withheld and paid by their respective authorized intermediaries as the withholding and paying agents in accordance with the relevant agreements, and as confirmed by the Company, adequate tax provisions have been made to meet such tax liabilities of the Foreign Companies as disclosed in the Offering Documents.
11. The articles of association of each PRC Subsidiary have been approved by its respective approving authority, are in full force and effect and comply with the requirements of applicable law of the PRC in all material respects.
12. Each of the Joint Venture Documents applicable to each Cooperative Joint Venture Company or Foreign Party constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms.
13. The carrying on of the authorized trading operations by Foreign Companies pursuant to the relevant agreements to which it is a party does not contravene any provision of applicable PRC law, rule or regulation and any such agreements to which a Foreign Company is a party is valid and legally binding, in full force and effect, and enforceable in accordance with its terms and the Foreign Companies have and will have good and valid title to the after-tax profits generated by or derived from such operations, except for those that would not have a material adverse effect on the Foreign Companies taken as a whole or on any of the Foreign Companies individually.
14. The relevant PRC Subsidiaries have duly obtained the relevant Plantation Rights Certificates for their legal titles to the plantation land use rights and the planted tree plantations. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, as of [March 31], 2007, the relevant PRC Subsidiaries have the right to use approximately [58,000] hectares of plantation land contributed by the PRC partners of the

Cooperative Joint Venture Companies or leased from other parties, in which the approximately [18,900] hectares of plantation land are currently used by Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. Since Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. have been approved to be converted into WFOEs and obtained their new Business Licenses, they will need to negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreement or lease agreement, go through the requisite legal formalities for the transfer of plantation land and obtain the Plantation Rights Certificates for those plantation lands in accordance with the relevant PRC laws and regulations.

15. The Foreign Companies have duly obtained the approvals from the relevant forestry bureaus for the acquisition of the purchased tree plantations. According to the relevant purchased tree contracts entered into by the Foreign Companies as of [March 31], 2007 and as confirmed by the relevant local forestry bureaus in their respective approvals, the Foreign Companies have the right to own approximately [294,000] hectares of the purchased trees plantations acquired by such Foreign Companies. According to the relevant purchased tree contracts, the Foreign Companies have the right, but not an obligation, to acquire plantation land use rights for the lands underlying the purchased trees acquired pursuant to the purchased tree contracts entered into as of [March 31], 2007, subject to the execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
16. The Agreement for Long Term Cooperation on Wood Supply entered into between Sino-Forest (Guangzhou) Trading Co., Ltd., Inner Mongolia Forest and Timber Resources Co., Ltd. and Erlianhaote Joint Forestry Bureau on 31 July 2006 is legal, valid and enforceable under the PRC laws and regulations. The implementation of the aforesaid agreement is subject to the execution of specific agreements between the relevant parties.
17. Each of the two Master Agreements for Acquisition of Pine and Fir Forest dated 28 September 2006 and 7 December 2006, respectively (collectively, the "Hunan Master Agreements"), between Sino-Panel (Asia) Inc. and Hongjiang City Forestry Technology Integrated Development Services Company ("Hongjiang City Company") is legal, valid and enforceable under PRC laws and regulations; under the Hunan Master Agreements, (i) Sino-Panel (Asia) Inc. will purchase approximately 100,000 hectares and 300,000 hectares, respectively, of plantation trees in Hongjiang City, Huaihua City, Shaoyang City and its surrounding areas in the Hunan Province, in the PRC over a 14 year period, the specific terms and conditions of such purchase to be determined upon the execution of definitive agreements between the PRC

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subsidiaries of the Company and Hongjiang City Company and subject to requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations; and (ii) Sino-Panel (Asia) Inc., through the PRC subsidiaries of the Company, also has the rights to acquire the plantation land use rights of the plantation land for up to 50 years after harvesting, subject to execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.

18. The Master Agreement for the Acquisition of Pine and Broadleaved Shaw dated March 23, 2007 (the "Yunan Master Agreement") between Sino-Panel (Asia) Inc. and Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd. ("Gengma Forestry"), a company established in Lincang City, Yunnan Province in the PRC is legal, valid and enforceable under PRC laws and regulations. Under the Yunan Master Agreement, the specific terms and conditions of such purchase will be determined upon the execution of definitive agreements between the PRC subsidiaries of the Company and Gengma Forestry and subject to requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
19. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no legal or governmental proceedings pending in the PRC to which, the Company, any Foreign Parties, Foreign Companies or PRC Subsidiary is a party or to which any of their respective properties or assets is subject; there are no legal or governmental proceedings pending in the PRC which could, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company, any Foreign Parties, any Foreign Companies and the PRC Subsidiaries taken as a whole, or the Company, any Foreign Parties, any Foreign Companies or PRC Subsidiary individually, the validity or enforceability of the Underwriting Agreement or the transactions contemplated therein and as disclosed in the Offering Documents; and, to the best of such counsel's knowledge, information and belief and as confirmed by the Company, no such proceedings are threatened.
20. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no outstanding guarantees or contingent payment obligations of each of the PRC Subsidiaries in respect of indebtedness of third parties except for [the mortgages relating to the land use rights and building ownership of Guangdong Jiayao Wood Products Development Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. and except for those as described in the Offering Documents].

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21. Each of the PRC Subsidiaries owns or has been granted all necessary rights to use, for the approved duration of such PRC Subsidiary, all of the properties and assets owned or used by it or transferred, assigned or otherwise conveyed to it in connection with its formation or thereafter, free and clear of all claims, liens, security interests or other encumbrances except for the mortgages or guarantees as described in Item 20 of this opinion or are not material, individually or in the aggregate, to the business of the Company and the PRC Subsidiaries, taken as a whole or individually; each of the PRC Subsidiaries, as the case may be, has the right to use all such plantation lands or has obtained the land use rights to conduct their respective business now being conducted; except as disclosed in Item 20 of this opinion, all such plantation land-use rights or land use rights are free and clear of all encumbrances and defects, and all such plantation land-use rights or land use rights are valid, binding and enforceable in accordance with their respective terms; and all real property and buildings held under lease, if any, by each of the PRC Subsidiaries are held by each of them under valid, binding and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment, taken as a whole or individually.
22. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries (i) is in compliance in all material respects with all applicable laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received in all material respects all permits, licenses and approvals which are currently required under applicable Environmental Laws to conduct its business now being conducted, including to construct, own and operate its respective plant facilities, as described in the Offering Documents and (iii) is in compliance with the PRC environmental laws and regulations, except for those that would not have a material adverse effect on the PRC Subsidiaries taken as a whole or on any of the PRC Subsidiaries individually.
23. All descriptions in the Offering Documents of PRC laws or regulations and contracts, documents and matters governed by or under PRC law are accurate in all material respects; to the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no franchise, contracts, indentures, mortgages, loans, notes, leases or other instruments required to be described or referred to in the Offering Documents in all material aspects other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects.



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24. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, the issue and sale of the Offered Shares and the execution and delivery by the Company of, and the performance by the Company of its obligations under the Underwriting Agreement and the consummation by the Company of the transactions contemplated therein and in the Offering Documents (i) will not contravene (A) any provision of PRC law or regulations, (B) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject, (C) any material agreement governed by PRC law by which the Company or any of the Foreign Companies is bound or to which any of the properties or assets of the Foreign Companies is subject, or (D) any regulation, judgment, order or decree of any governmental body, agency or any court in the PRC or (ii) will not result in the creation or imposition of any claim, lien, mortgage, security interest or other encumbrance on any property or assets of the PRC Subsidiaries or on any purchased trees plantations of the Foreign Companies in the PRC.
25. All such licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC as are currently required for (i) the PRC Subsidiaries' ownership and use of their properties and assets, the construction of their plant facilities and the conduct of their business in the manner as described in the Offering Documents and (ii) the Foreign Companies to own the purchased tree plantations and conduct business in the manner as described in the Offering Documents have been obtained or made and are in full force and effect, except for those that are not material, individually or in the aggregate, to the business, operations and financial conditions of the PRC Subsidiaries, the Foreign Parties or the Foreign Companies, taken as a whole or individually.
26. The application of the net proceeds from the offering, as contemplated by the Offering Documents, will not (i) contravene any provision of applicable PRC law, rule or regulation or the articles of association and any amendment thereof or the business license of any of PRC Subsidiaries or (ii) to the best of such counsel's knowledge, information and belief after reasonable investigation and due inquiry, contravene the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, loan agreement, lease or other agreement binding upon any PRC Subsidiaries, (B) any indenture, mortgage, loan agreement, lease or other agreement governed by PRC law by which the Company or any of the Foreign Companies or PRC Subsidiaries is bound or to which any the properties or assets of the Foreign

Companies or PRC Subsidiaries is subject or (C) any judgment, order or decree of any governmental body, agency or court in the PRC.

27. Except for Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., subject to compliance with the requisite procedures under the PRC laws and regulations, each PRC Subsidiary has full power and authority to effect dividend payments and remittances thereof outside the PRC in foreign currency free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC. Since the registered capital of Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. have not been fully paid up by their investors, the dividend payments and remittances thereof shall be made in proportion to the paid-up contributions of their respective registered capital.
28. To the best of such counsel's knowledge, information and belief after due investigation and inquiry and as confirmed by the Company, except that (i) the Cooperative Joint Venture Companies are in the process of being converted into wholly foreign owned enterprises, and (ii) SFR (Suzhou) Co., Ltd. is in the process of being merged with and absorbed by Jiafeng Wood (Suzhou) Co., Ltd. and its registration will be cancelled, none of the PRC Subsidiaries nor any other person has taken any action nor have any other steps been taken or legal proceedings been started or threatened against any of the PRC Subsidiaries for its winding up or dissolution, or for the withdrawal, revocation or cancellation of the business license of any of the PRC Subsidiaries; and no notice of appointment of a receiver of any of the PRC Subsidiaries or any of its assets has been issued and no declaration or order of insolvency has been or is threatened to be made.
29. The statements in the Final International Offering Memorandum under the headings "Risk Factors", "Summary Description of the Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Government Regulation" and "Forestry Plantation Contractual Arrangements" insofar as such statements constitute summaries of the laws or regulations of the PRC or documents governed by PRC law as of the date hereof, fairly present the information called for with respect to such legal matters and documents and fairly summarize matters referred to therein.

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30. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, such counsel is of the opinion that as long as agreements are reached with relevant PRC partners of the Cooperative Joint Venture Companies, there are no legal impediments for the Cooperative Joint Venture Companies to be converted into wholly foreign owned enterprises.
31. Such counsel has generally reviewed and discussed with the Underwriters' representatives and with certain officers and employees of, and counsel and independent accountants for, the Company the information furnished, and the Company has confirmed such information to such counsel. On the basis of such consideration, review, discussion and confirmation, with ordinary care and due diligence as a PRC legal counsel, but without independent check or verification, except as stated, such counsel has no reason to believe that (other than (i) the report of Pöyry Forest Industry Ltd. incorporated by reference in the Offering Documents and (ii) the financial statements and other financial and statistical data contained in the Offering Documents (which include the section headed "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP") contained in the Final International Memorandum, as to which such counsel is not called upon to express any belief), the Offering Documents contained as of its date or contains as of the date of this opinion any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, insofar as they constitute matters of PRC laws, or summaries of PRC legal matters, purport to describe provisions of PRC laws, in all material respects, not misleading.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters.

**SCHEDULE "G"**  
**OPINION OF UNDERWRITERS' U.S. COUNSEL**

The opinion of the Underwriters' U.S. Counsel shall relate to the following matters:

1. It is not necessary in connection with the offer, sale and delivery of the Offered Shares to the Underwriters under the Underwriting Agreement, or the initial resale of such Offered Shares by the Underwriters in accordance with the Underwriting Agreement to register the Offered Shares under the Securities Act, it being understood that no opinion is expressed as to any subsequent resale of any Offered Shares. Such counsel's opinion assumes that the Offering is made as contemplated in the Final International Offering Memorandum and the accuracy of and compliance with the representations, warranties and covenants of the Company and the Underwriters in the Underwriting Agreement relating to the offering of the Offered Shares.
2. No consent, approval, authorization or order of, or qualification with, any governmental body or agency under United States federal or New York state law that in such counsel's experience is normally applicable to general business corporations in relation to transactions of the type contemplated by the Underwriting Agreement is required for the performance by the Company of its obligations under the Underwriting Agreement, except such as may be required under state securities or Blue Sky laws.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters.

**TAB B**

# TAB B

This is Exhibit "B" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'ASLAVENS', with a long horizontal line extending to the right from the end of the signature.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.

EXECUTION COPY

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**SINO-FOREST CORPORATION**

(a Canada Business Corporations Act corporation)

5.00% Convertible Senior Notes due 2013

**PURCHASE AGREEMENT**

Dated: July 17, 2008

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**Sino-Forest Corporation**

(a Canada Business Corporations Act corporation)

U.S.\$300,000,000

5.00% Convertible Senior Notes due 2013

**PURCHASE AGREEMENT**

July 17, 2008

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
4 World Financial Center  
New York, New York 10080  
United States

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States

Ladies and Gentlemen:

Sino-Forest Corporation, a Canada Business Corporations Act corporation (the "Company"), confirms its agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Credit Suisse Securities (USA) LLC (together, the "Initial Purchasers", which term shall also include any initial purchaser substituted as hereinafter provided in Section 11 hereof), for whom Merrill Lynch is acting as representative (in such capacity, the "Representative") with respect to (i) the issue and sale by the Company and the purchase by the Initial Purchasers, acting severally and not jointly, of the respective principal amounts of the Company's 5.00% Convertible Senior Notes due 2013 (the "Notes") set forth in Schedule A hereto, and (ii) the grant by the Company to the Initial Purchasers, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of an additional U.S.\$300,000,000 principal amount of Notes to cover over-allotments, if any. The aforesaid Notes (the "Initial Notes") to be purchased by the Initial Purchasers and all or any part of the additional U.S.\$45,000,000 principal amount of Notes subject to the option described in Section 2(b) hereof (the "Option Notes") are hereinafter called, collectively, the "Notes". The Notes are to be issued pursuant to an indenture to be dated as of July 23, 2008 (the "Indenture") among the Company, the subsidiary guarantors named in Schedule D-1 hereto (each a "Subsidiary Guarantor") and The Bank of New York Mellon, as trustee (the "Trustee").

The Notes are convertible, subject to certain conditions as described in the Final Offering Memorandum (as defined below), prior to maturity (unless previously redeemed or otherwise purchased) into common shares, without par value, of the Company (the "Common Shares") in accordance with the terms of the Notes and the Indenture. Notes issued in book-entry form will be issued to Cede & Co. as nominee of The Depository Trust Company ("DTC") pursuant to a letter agreement, to be dated as of Closing Time (as defined in Section 2(b)), among the Company, the Trustee and DTC.

The payment of principal of, interest on, and all other amounts due under, the Notes will be irrevocably and unconditionally guaranteed on a senior basis by the Subsidiary Guarantors, pursuant to their guarantees (the "Subsidiary Guarantees"). The Initial Notes and the Subsidiary Guarantees attached thereto are herein collectively referred to as the "Initial Securities," and the Option Notes and the Subsidiary Guarantees attached thereto are herein collectively referred to as the "Option Securities." The Initial Securities and the Option Securities are herein collectively referred to as the "Securities."

The Company and each Subsidiary Guarantor understands that the Initial Purchasers propose to make an offering of the Securities on the terms and in the manner set forth herein and agrees that the Initial Purchasers may resell, subject to the conditions set forth herein, all or a portion of the Securities to purchasers ("Subsequent Purchasers") at any time after this Agreement has been executed and delivered. The Securities are to be offered and sold through the Initial Purchasers without being registered under the Securities Act of 1933, as amended (the "1933 Act"), in reliance upon exemptions therefrom. Pursuant to the terms of the Securities and the Indenture, investors that acquire Securities may only resell or otherwise transfer such Securities if such Securities are hereafter registered under the 1933 Act or if an exemption from the registration requirements of the 1933 Act is available (including the exemption afforded by Rule 144A ("Rule 144A") or Regulation S ("Regulation S") of the rules and regulations promulgated under the 1933 Act by (the "1933 Act Regulations") the Securities and Exchange Commission (the "Commission")).

The Company and the Subsidiary Guarantors (a) have prepared and delivered to each Initial Purchaser copies of a preliminary offering memorandum dated July 16, 2008 (the "Preliminary Offering Memorandum") and (b) have prepared and will deliver to each Initial Purchaser, as promptly as possible prior to the Closing Time, copies of a final offering memorandum dated July 17, 2008 (the "Final Offering Memorandum"), each for use by such Initial Purchaser in connection with its solicitation of purchases of, or offering of, the Securities. "Offering Memorandum" means, with respect to any date or time referred to in this Agreement, the most recent offering memorandum (whether the Preliminary Offering Memorandum or the Final Offering Memorandum, as amended and supplemented at such time), including exhibits thereto, if any, and any documents incorporated therein by reference, which has been prepared and delivered by the Company to the Initial Purchasers in connection with their solicitation of purchases of, or offering of, the Securities.

#### SECTION 1. Representations and Warranties by the Company and the Subsidiary Guarantors.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to each Initial Purchaser as of the date hereof and as of Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) as defined and referred to in Section 2(b) hereof, and agrees with each Initial Purchaser, as follows:

(i) Disclosure Package and Final Offering Memorandum. As of the Applicable Time (as defined below), neither (x) the Preliminary Offering Memorandum as of the Applicable Time as supplemented by the final pricing term sheet, in the form attached hereto as Schedule B (the "Pricing Supplement") and as otherwise supplemented or amended at such time, all considered together (collectively, the "Disclosure Package"), nor (y) any individual Supplemental Offering Materials (as defined below), when considered together with the Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. "Applicable Time" means 8:00 A.M. (New York time) on July 18, 2008 or such other time as agreed by the Company and Merrill Lynch.

"Supplemental Offering Materials" means any "written communication" (within the meaning of the 1933 Act and the 1933 Act Regulations) prepared by or on behalf of the Company, or used or referred to by the Company, that constitutes an offer to sell or a solicitation of an offer to buy the Securities other than the Preliminary Offering Memorandum or the Final Offering Memorandum or amendments or supplements thereto (including the Pricing Supplement), including, without limitation, any road show relating to the Securities that constitutes such a written communication.

As of its issue date and as of the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), the Final Offering Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Disclosure Package or the Final Offering Memorandum made in reliance upon and in conformity with written information furnished to the Company by any Initial Purchaser through Merrill Lynch expressly for use therein, it being understood and agreed that the only such information is that described as such in Section 7(a) hereof.

(ii) Independent Accountants. Each of the accountants who certified the financial statements and supporting schedules included in the Disclosure Package and the Final Offering Memorandum are independent public accountants as required under Canadian securities laws and there have not been any disagreements within the meaning of National Instrument 51-102 since January 1, 2003 with any present or former auditors of the Company.

(iii) Financial Statements. The financial statements, together with the related schedules and notes, included in the Disclosure Package and the Final Offering Memorandum, present fairly the financial position of the Company and its consolidated Subsidiaries (as defined below) at the dates indicated and the statement of operations, shareholders' equity, earnings and cash flows of the Company and its consolidated Subsidiaries for the periods specified; said financial statements have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The selected financial data and the summary financial information included in the Disclosure Package and the Final Offering Memorandum present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Disclosure Package and the Final Offering Memorandum. The other financial and operational information included in the Disclosure Package and the Final Offering Memorandum present fairly information included therein.

All disclosure contained in the Disclosure Package and the Final Offering Memorandum regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) complies with Regulation G under the Securities Exchange Act of 1934, as amended (the "1934 Act").

The disclosure contained in the section headed "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP" in the Disclosure Package and the Final Offering Memorandum which summarizes certain significant differences between Canadian GAAP and U.S. GAAP is a correct and accurate summary of such significant differences and reflects the material differences between Canadian GAAP and U.S. GAAP, as they would apply to the Company.

(iv) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Disclosure Package and the Final Offering Memorandum, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, operations, assets, properties, liabilities (contingent or otherwise), obligations (absolute, accrued or otherwise), capital, business affairs, or business prospects of the Company and its Subsidiaries considered as one enterprise (the "Condition of the Company"), whether or not arising in the ordinary course of business (such change, a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its Subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock. Neither the Company nor any of its Subsidiaries has sustained since the date of the latest financial statements included in the Disclosure Package and the Final Offering Memorandum any material loss or interference with its business from fire, earthquake, flood, explosion or other calamity, whether or not covered by insurance, otherwise than as set forth in the Disclosure Package and the Final Offering Memorandum.

(v) Incorporation and Good Standing of the Company. The Company has been duly continued, is validly existing as a corporation in good standing under the Canada Business Corporations Act, and has the corporate power and authority to own its property and to conduct its business as described in the Disclosure Package and the Final Offering Memorandum. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not cause a Material Adverse Effect.

(vi) List of Subsidiaries. All of the Subsidiaries of the Company are listed on Schedule D-2 hereto; all of the Company's Subsidiaries other than those listed on Schedule D-3 are either Subsidiary Guarantors or entities organized or incorporated under the laws of the PRC, there is no other company or undertaking in which any of the Company or its Subsidiaries directly or indirectly owns or controls or proposes to own or control a majority interest (whether by way of shareholding, trust arrangement or otherwise).

For purposes of this Agreement, "Subsidiary" means: (a) any corporation of which securities, having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues), are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries; (b) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries (x) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof and (y) is a general partner, in the case of a limited partnership, or is a partner that has the authority to bind the partnership in all other cases; or (c) any other person of which at least a majority of the income, capital, beneficial or ownership interest (however designated) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries or the Company and one or more of its Subsidiaries.

(vii) Incorporation and Good Standing of Subsidiaries. Each Subsidiary of the Company has been duly incorporated, amalgamated, formed or continued, as the case may be, is

validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, has the corporate power and authority to own its property and to conduct its business as described in the Disclosure Package and the Final Offering Memorandum. Each Subsidiary of the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect; except as described in Section 1(xliv) below, all of the issued shares of capital stock or registered capital, as the case may be, of each Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and the shares of capital stock or registered capital, as the case may be, of each such Subsidiary owned by the Company or another Subsidiary are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except as otherwise described in the Disclosure Package and the Final Offering Memorandum.

(viii) Corporate Authority. The Company has corporate right, power and authority to execute and deliver this Agreement, the Securities and the Indenture (collectively, the "Transaction Documents") and to perform its obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery of each of the Transaction Documents and the consummation of the transactions contemplated thereby has been duly and validly taken.

(ix) Capitalization. The total shareholders' equity of the Company is as set forth in the Disclosure Package and the Final Offering Memorandum in the column entitled "Actual" under the caption "Consolidated Capitalization" as of the respective dates set forth therein, and the actual, authorized, issued and outstanding number of Common Shares as of March 31, 2008 is as set forth in the section entitled "Description of the Shares" in the Disclosure Package and the Final Offering Memorandum, and there have been no changes to such amounts. The Common Shares conform in all material respects to the description thereof set forth in the Disclosure Package and the Final Offering Memorandum. All of the outstanding Common Shares have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with applicable securities laws. Upon issuance and delivery of the Notes in accordance with this Agreement and the Indenture, the Notes will be convertible at the option of the holder thereof into Common Shares in accordance with the terms of the Notes and the Indenture; the Common Shares issuable upon conversion of the Notes have been duly authorized and reserved for issuance upon such conversion by all necessary corporate action and such shares, when issued upon such conversion in accordance with the terms of the Notes, will be validly issued, fully paid and non-assessable and will be free and clear of any security interests, claims, liens, equity or encumbrances; no holder of such shares will be subject to personal liability by reason of being such a holder; and the issuance of such shares upon such conversion will not be subject to the preemptive or other similar rights of any securityholder of the Company, and except as disclosed in the Disclosure Package and the Final Offering Memorandum, there are no limitations on the rights of the holders of the Common Shares issuable upon conversion of the Notes to hold, vote or transfer their shares. None of the outstanding Common Shares were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any of its Subsidiaries other than those accurately described in the Disclosure Package and the Final Offering Memorandum. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the

Disclosure Package and the Final Offering Memorandum accurately and fairly describes such plans, arrangements, options and rights.

(x) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(xi) Authorization of the Indenture. The Indenture has been duly authorized by the Company and, when executed and delivered by the Company and the Trustee, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(xii) Authorization of Notes. The Notes have been duly authorized and, at Closing Time, will have been duly executed by the Company and, when authenticated, issued and delivered in the manner provided for in the Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers) reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), and will be in the form contemplated by, and entitled to the benefits of, the Indenture.

(xiii) Descriptions in Transaction Documents. The description of the Notes, the Subsidiary Guarantees, the Indenture and the rights, preferences and privileges of the capital stock of the Company, including the Common Shares issuable upon conversion of the Notes, contained in the Disclosure Package and the Final Offering Memorandum, are accurate in all material respects.

(xiv) Absence of Violations, Defaults and Conflicts. Neither the Company nor any of its Subsidiaries is, or with the giving of notice or lapse of time or both would be, (A) in violation of any provision of laws, statutes, rule or regulation or its charter, articles of continuance, by-laws, business license, business permit or other constitutional documents, or any judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their assets, properties or operations or (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of the property or assets of the Company or any of its Subsidiaries is subject (collectively, "Agreements and Instruments") except, in each case, for such violations or defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of the Transaction Documents and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the transactions contemplated hereby or thereby or in the Disclosure Package and the Final Offering Memorandum and the consummation of the transactions contemplated herein and in the Disclosure Package and the Final Offering Memorandum (including the issuance and sale of the Securities and the use of the proceeds from

the sale of the Securities as described in the Disclosure Package and the Final Offering Memorandum under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder or thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its Subsidiaries pursuant to, the Agreements and Instruments, nor will such action result in any violation of the provisions of the charter, articles of continuance, by-laws, business license, business permit or other constitutional documents of the Company or any of its Subsidiaries or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its Subsidiaries.

(xv) Absence of Labor Dispute. No labor dispute with the employees of the Company or any of its Subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any of its Subsidiaries' principal suppliers, manufacturers, customers or contractors, which, in either case, would result in a Material Adverse Effect. Except as described in the Disclosure Package and the Final Offering Memorandum, the Company and each of its Subsidiaries has complied in all material respects with all applicable employment, labor and similar laws except for such non-compliances as would not, singly or in the aggregate, have a Material Adverse Effect.

(xvi) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, or any stock exchange, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any of its Subsidiaries which might result in a Material Adverse Effect, or which might materially and adversely affect the consummation of the transactions contemplated by this Agreement or the performance by the Company or any Subsidiary Guarantor of its obligations hereunder. The aggregate of all pending legal or governmental proceedings to which the Company or any of its Subsidiaries is a party or of which any of their respective property or assets is the subject which are not described in the Disclosure Package and the Final Offering Memorandum, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xvii) Absence of Manipulation. Neither the Company nor to its knowledge any affiliate, as such term is defined in Rule 501(b) under the 1933 Act ("Affiliate"), of the Company has taken, nor will the Company or any Affiliate of the Company take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xviii) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by the Transaction Documents

or for the due execution, delivery or performance of the Transaction Documents by the Company, except such as have been already obtained, except for the approval of the TSX and, if Securities are sold by any Initial Purchaser to residents of Canada, the delivery of the Final Offering Memorandum and the filing of a Form 45-106F1 with the applicable Canadian securities regulatory authorities.

(xix) Possession of Intellectual Property. The Company and its Subsidiaries own or possess or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals, trade secrets and other similar rights (collectively, the "Intellectual Property Rights") reasonably necessary to conduct their businesses as now conducted; neither the Company nor any of its Subsidiaries has received any notice of or is otherwise aware of infringement or conflict with asserted Intellectual Property Rights of others.

(xx) Possession of Licenses and Permits. Each of the Company and its Subsidiaries has obtained all consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all relevant national, local or other governmental authorities and all relevant courts and other tribunals ("Governmental Authorizations") which are required for the Company or any of its Subsidiaries to own, lease, license and use its properties and assets and to conduct its business in the manner described in, and contemplated by, the Disclosure Package and the Final Offering Memorandum, except for Government Authorizations the failure of which to obtain would, singly or in the aggregate, result in a Material Adverse Effect; all such Governmental Authorizations are in full force and effect; none of the Company and its Subsidiaries is in violation of, or default under, such Governmental Authorizations.

(xxi) Title to Property. Each of the Company and its Subsidiaries has good and valid title to all real property and all personal property owned by it, in each case free and clear of all liens, encumbrances and defects, except such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by it and except for the mortgages, liens, pledges or other security interests relating to the bank borrowings and other indebtedness by the Company disclosed in the Disclosure Package and the Final Offering Memorandum; and any real property and buildings held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiaries so as to result in a Material Adverse Effect, in each case except as described in the Disclosure Package and the Final Offering Memorandum.

With respect to any of the tree plantations owned, leased or otherwise operated by the Subsidiaries of the Company, each such Subsidiary has the plantation land use or other relevant plantation rights, as applicable, that are required or otherwise necessary under the PRC laws and regulations in order for such Subsidiary to own, lease or operate such plantation and conduct its wood fiber businesses in the manner described in, and contemplated by, the Disclosure Package and the Final Offering Memorandum except for any rights the failure of which to obtain would not result in a Material Adverse Effect; with respect to any of the plants, buildings or other structures owned by the any of the Company's Subsidiaries, such Subsidiary has valid land use right certificates, building ownership certificate or other relevant title documents, and the construction, development, occupation and use of such plant, building or structure complies in all material respects with all the applicable laws and regulations except such as would not, singly or in the aggregate, result in a Material Adverse Effect.



(xxii) Environmental Laws. Except as described in the Disclosure Package and the Final Offering Memorandum and except such matters as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or, to the Company's Knowledge, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or Environmental Laws.

(xxiii) Disclosure of Legal Matters. The statements set forth in the Disclosure Package and the Final Offering Memorandum (A) under the sections headed "Description of the Shares" and "Description of Notes", insofar as they purport to constitute a summary of the terms of the Notes, the Subsidiary Guarantees and the Common Shares, as the case may be, are accurate and fair in all material respects.

(xxiv) Material Contracts. (A) All the master agreements or other contracts entered into by the Subsidiaries of the Company relating to the purchase of the rights to the trees on particular plantation land with or without a pre-emptive right to lease such plantation land, (i) all the long-term lease agreements entered into by any of the Company's Subsidiaries for tree plantations, (ii) all the share purchase or other investment agreements entered into by the Company and any of its Subsidiaries and (iii) all the master agreements, other contracts or arrangements between any of the Company's Subsidiaries and an authorized intermediary regarding the sales of standing timber, have been duly authorized, executed and delivered by the relevant Subsidiaries of the Company. The Company has no knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any such material contract and none of the Company or its subsidiaries has received notice of any intention to terminate any such contract or agreement or repudiate or disclaim any such transaction. (B) All descriptions of material contracts or documents in the Disclosure Package and Final Offering Memorandum, to the extent such descriptions purport to describe or summarize such contracts or documents, are true and accurate in all material respects, fairly summarize the contents of such contracts or documents and do not omit any material information which affects the import of such descriptions. To the best knowledge of the Company, there are no contracts or documents that would be required to be described in the Disclosure Package and Final Offering Memorandum under the United States Securities laws if such laws and rules were applicable with respect to the Disclosure Package and Final Offering Memorandum, or that would be required to be described under any applicable laws that have not been so described.

(xxv) Accounting Controls. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, the Company and each of its Subsidiaries maintains a system of internal controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit the financial statements to be fairly presented in accordance with GAAP and to maintain accountability for assets; (C) access to its assets is permitted only in accordance with management's general or specific authorization; (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences; (E) the Company and each of its Subsidiaries has made and kept books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity; and (F) material information relating to the Company and its Subsidiaries is made known to those within the Company responsible for the preparation of the financial statements during the period in which the financial statements have been prepared and that such material information is disclosed to the public within the time periods required by applicable law, including Canadian securities laws. The Company has established procedures which provide a reasonable basis for its board of directors to make proper judgment as to the financial position and prospects of the Company and its Subsidiaries, taken as one enterprise. Since the end of the Company's most recent audited fiscal year, there has been (1) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (2) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(xxvi) Accounting Policies, Liquidity and Capital Resources. The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the Disclosure Package and the Final Offering Memorandum accurately and fairly describes in all material respects (i) accounting policies which the Company believes are the most important in the portrayal of the financial condition and results of operations for the Company and its consolidated Subsidiaries and which require management's most difficult, subjective or complex judgments ("critical accounting policies"); and (ii) judgments and uncertainties affecting the application of critical accounting policies. The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in the Disclosure Package and the Final Offering Memorandum accurately and fairly describes in all material respects (x) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Company believes would materially affect its liquidity and are reasonably likely to occur; and (y) all off-balance sheet arrangements, if any, that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company and the Subsidiaries taken as a whole. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, there are no outstanding guarantees or other contingent obligations of the Company or any Subsidiary that could reasonably be expected to have a Material Adverse Effect.

(xxvii) Insurance. The Company and its Subsidiaries carry or are entitled to the benefits of insurance, with financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it or any of its Subsidiaries will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change.

(xxviii) Statistical and Market-Related Data. Any statistical and market-related data included in the Disclosure Package and the Final Offering Memorandum are based on or derived from sources that the Company believes to be reliable and accurate, and, to the extent required or otherwise necessary, the Company has obtained the written consent or other consent in requisite form to the use of such data from such sources.

(xxix) Investment Company Act. The Company is not required, and after giving effect to the issuance and sale of the offered Securities and the application of the net proceeds therefrom as described in the Disclosure Package and the Final Offering Memorandum under "Use of Proceeds," will not be required, to register as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act").

(xxx) Similar Offerings. Neither the Company nor any of its Affiliates has, directly or indirectly, solicited any offer to buy, sold or offered to sell or otherwise negotiated in respect of, or will solicit any offer to buy, sell or offer to sell or otherwise negotiate in respect of, in the United States or to any United States citizen or resident, any security which is or would be integrated with the sale of the Securities in a manner that would require the offered Securities to be registered under the 1933 Act.

(xxxi) Rule 144A Eligibility. The Securities are eligible for resale pursuant to Rule 144A and will not be, at Closing Time, of the same class as securities listed on a national securities exchange registered under Section 6 of the 1934 Act, or quoted in a U.S. automated interdealer quotation system.

(xxxii) No General Solicitation. None of the Company, its Affiliates or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) has engaged or will engage, in connection with the offering of the offered Securities, in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act.

(xxxiii) No Registration Required. Subject to compliance by the Initial Purchasers with the representations and warranties of the Initial Purchasers and the procedures set forth in Section 6 hereof, it is not necessary in connection with the offer, sale and delivery of the offered Securities to the Initial Purchasers and to each Subsequent Purchaser in the manner contemplated by this Agreement and the Offering Memorandum to register the Securities under the 1933 Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act").

(xxxiv) No Directed Selling Efforts. With respect to those offered Securities sold in reliance on Regulation S, (A) none of the Company, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) has engaged or will engage in any directed selling efforts within the meaning of Regulation S and (B) each of the Company and its Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) has complied and will comply with any applicable offering restrictions requirement of Regulation S.

(xxxv) Foreign Issuer. The Company is a "foreign issuer" within the meaning of Rule 902 under the Securities Act and reasonably believes there is no "substantial U.S. market interest" in the Company's "debt securities" as such terms are defined in Rule 902 under the 1933 Act or in the Common Shares or any securities of the same class as the Common Shares.

(xxxvi) No Finders. Other than pursuant to this Agreement, there are no contracts, agreements or understandings between the Company or any of its Subsidiaries and any person that would give rise to a valid claim against the Company, any of its Subsidiaries or the Initial Purchasers for a brokerage commission, finder's fee or other like payment in connection with the issuance and sale of the Securities.

(xxxvii) Anti-Corruption Practices. None of the Company, any of the Subsidiaries or, to the knowledge of the Company, any officers, directors, supervisors, managers, agents or employees of the Company or any of its Subsidiaries has, directly or indirectly, (i) made, promised or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality in Canada, the PRC, Hong Kong, the United States, the British Virgin Islands or any other jurisdiction for the purpose of influencing any act or decision of such official or of the government to obtain or retain business, or direct business to the Company or any of its Subsidiaries, or otherwise in contravention of applicable law, or (ii) made any contribution to any candidate for public office where either the payment or the purpose of such contribution, payment or gift constitutes bribery in breach of applicable laws of Canada, the PRC, Hong Kong, the United States, the British Virgin Islands or any other jurisdiction or otherwise was or is prohibited under any applicable law, rule or regulation of any locality; and the Company and its Subsidiaries and Affiliates (as hereafter defined) have conducted this business in compliance with applicable anti-corruption laws.

(xxxviii) OFAC. Neither the Company, nor any of its Subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(xxxix) Related Party Transactions. The statements set forth in the Disclosure Package and the Final Offering Memorandum under the captions "Related Party Transactions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Related Party Transactions" are true and accurate in all material respects and there are no other facts known or which could on reasonable enquiry have been known to the Company, the omission of which would make any such statements misleading in any material respect. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, no material indebtedness (actual or contingent) and no material contract or arrangement is outstanding between the Company or any of its Subsidiaries and any director or executive officer of the Company or any of its Subsidiaries or any person connected with such director or executive officer (including his/her spouse or children, or any company or undertaking in which he/she holds a controlling interest). There are no material relationships or transactions between the Company or any of its Subsidiaries on the one hand and its affiliates, officers and directors or their shareholders, customers or suppliers on the other hand which are not disclosed in the Disclosure Package and the Final Offering Memorandum.

(xl) Reporting Issuer Status and Listing of Shares. The Company is a reporting issuer within the meaning of applicable Canadian securities laws in each of the provinces of Canada, and is not in default of any requirement of such securities laws, and has not been noted in default of any requirement of such securities laws by any applicable Canadian securities regulatory

authority, except in each case for such defaults as would have a Material Adverse Effect. The outstanding Common Shares are listed on the Toronto Stock Exchange (the "TSX") and the Company is in compliance with all requirements of the TSX. The Company has taken no action designed to, or likely to have the effect of, (a) delisting the Common Shares from the TSX nor is the TSX contemplating terminating such listing, or (b) ceasing to be a reporting issuer in any province, nor has the Company received any notification from any applicable Canadian securities regulatory authority seeking to revoke the reporting issuer status of the Company.

(xli) Solvency. The Company and each Subsidiary Guarantor is, and immediately after the Closing Time and immediately upon consummation of the transactions contemplated herein and in the Offering Memorandum will be, Solvent. As used herein, the term "Solvent" means, with respect to an entity, on a particular date, that on such date (a) the book value of the assets of such entity is greater than or equal to the total amount of liabilities (including contingent liabilities) of such entity, (b) the value of the assets of the entity is greater than the amount that will be required to pay the probable liabilities of such entity on its debt as they become absolute and mature, (c) the entity is able to realize upon its assets and pay its debts and other liabilities (including contingent obligations) as they mature, and (d) the entity does not have unreasonably small capital. Except such as would not result in a Material Adverse Effect, no winding up or liquidation proceedings have been commenced against the Company or any of its Subsidiaries and no proceedings have been started or, to the knowledge of the Company, threatened for the purpose of, and no judgment has been rendered, declaring the Company or any of its Subsidiaries bankrupt or in any insolvency proceeding, or for any arrangement or composition for the benefit of creditors, or for the appointment of a receiver, trustee, administrator or similar officer of any of the Company and its Subsidiaries, or any of their respective properties, revenues or assets.

(xlii) Registered Capital of PRC Subsidiaries. Each of the Company's Subsidiaries in the People's Republic of China (the "PRC") has been duly established as a wholly foreign owned enterprises (each, a "WFOE" and, collectively the "WFOEs") or a PRC limited company invested by WFOE (each, a "PRC Limited Company Subsidiary" and, collectively the "PRC Limited Company Subsidiaries"; together with the WFOEs, the "PRC Subsidiaries") in compliance with applicable PRC laws and regulations; the registered capital of each of the PRC Subsidiaries has been subscribed in full with one exception as referred to below, and all government approvals relating to the subscription thereof have been issued and are in full force and effect; the Company will pay or cause to be paid in full the unpaid registered capital of Sino-Panel (Yunnan) Trading Co., Ltd. in due course in accordance with PRC laws and regulations.

(xliii) Ownership Structure of PRC Subsidiaries. The ownership structure of the Company's Subsidiaries in the PRC as described in the Disclosure Package and the Final Offering Memorandum is in compliance with any applicable laws and regulations in the PRC.

(xliv) Articles of Association of PRC Subsidiaries. The articles of association of each of the PRC Subsidiaries comply with the requirements of applicable laws of the PRC, and are in full force and effect.

(xlv) CJV Conversion. The events and transactions (the "CJV Conversion") set forth in the Disclosure Package and the Final Offering Memorandum under the caption "Business—Our Wood Fiber Operations—Planted Tree Plantations" relating to the conversion of the corporate form of certain PRC Subsidiaries of the Company from cooperative joint venture into wholly foreign-owned enterprise have been duly effected in accordance with applicable laws and regulations, and the description of the CJV Conversion set forth therein is an accurate and fair summary of such transactions in all material respects.

(xlvi) Dividends by PRC Subsidiaries. Each of the WFOEs has full power and authority to effect dividend payments and remittances thereof outside the PRC in United States dollars, except for the withholding tax required under the New Income Tax Law of the PRC and other exceptions, in each case, as disclosed in the Disclosure Package and the Final Offering Memorandum, free of deduction or withholding on account of income tax and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC.

(xlvii) Shareholder Loans to PRC Subsidiaries. Each of the WFOEs has full power and authority to borrow shareholder loans from its foreign shareholder as contemplated and described in the Disclosure Package and the Final Offering Memorandum. Except for those disclosed in the Offering Memorandum, no other licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC are required for any WFOE to borrow shareholder loans. Each of the WFOEs will be able to repay such shareholder loans in, and remit to outside the PRC, United States dollars, except for the withholding tax required under the New Income Tax Law of the PRC and other exceptions, in each case, as disclosed in the Disclosure Package and the Final Offering Memorandum, free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC.

(xlviii) Foreign Exchange Registration. Each of the WFOEs has obtained all necessary foreign exchange registration certificates from the State Administration of Foreign Exchange or its local counterparts and has passed foreign exchange annual inspections, except for those the absence of which would not result in a Material Adverse Effect. The Company, through the WFOEs, has obtained all necessary foreign exchange registration certificates from the State Administration of Foreign Exchange or its local counterparts for its investments in the PRC. No other governmental registration, authorization or filing with any governmental authority, is required in the PRC in respect of the ownership by the Company of its direct or indirect equity interest in any PRC Subsidiary or in respect of the Reorganization, except for those that have already been obtained or those the absence of which would not result in a Material Adverse Effect.

(xlix) Prohibition on Dividends. No Subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's properties or assets to the Company or any other subsidiary upon the requisite approval procedures for such transferring, except for Sino-Panel (Yunnan) Trading Co., Ltd., whose registered capital has been partially paid up and the dividend payments and remittances for which shall be made in proportion to the paid-up contribution of its registered capital, and except as otherwise described in the Disclosure Package and the Final Offering Memorandum.

(l) Absence of Off-Balance Sheet Transactions. Other than as disclosed in the financial statements referred to in Section 1(a)(iii) and in the Disclosure Package and the Final Offering Memorandum, there are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Company or any of its Subsidiaries with unconsolidated entities or other persons that may have a material current or future effect on the financial condition, change in financial condition, results of operations, liquidity, capital

expenditures, capital resources, or significant components of revenues or expenses of the Company and any of its Subsidiaries, taken as a whole.

(ii) Absence of Contingent Liabilities. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, none of the Company or any of its Subsidiaries has any contingent liabilities, in excess of the liabilities that are either reflected or reserved against in the financial statements referred to in Section 1(a)(iii), which would result in a Material Adverse Effect.

(iii) Immunity. None of the Company, the Company's Subsidiaries or any of the Company's or its Subsidiaries' properties, assets or revenues are entitled to any right of immunity in any jurisdiction on the grounds of sovereignty from any legal action, suit or proceedings, from set-off or counterclaim, from the jurisdiction of any court, from services of process, from attachment prior to or in aid of execution of judgment, or from other legal process or proceedings for the giving of any relief or for the enforcement of any judgment. The irrevocable and unconditional waiver and agreement of the Company in Section 17 of this Agreement by which the Company agrees not to plead or claim any such immunity in any legal action, suit or proceeding based on this Agreement is not in violation of the laws of the PRC.

(iii) Tax Returns. Other than as disclosed in the Disclosure Package and the Final Offering Memorandum, the Company and each of its Subsidiaries has, on a timely basis, filed all necessary tax returns and notices and has paid or made provision for all applicable taxes of whatever nature for all tax years to the date hereof to the extent such taxes have become due or have been alleged to be due except for such amounts that are being contested in good faith by the Company or its Subsidiaries or for such failures to pay or provide as would not, singly or in the aggregate, have a Material Adverse Effect; other than as disclosed in the Disclosure Package and the Final Offering Memorandum, the Company is not aware of any material tax deficiencies or material interest or penalties accrued or accruing or alleged to be accrued or accruing, thereon with respect to itself or any of its Subsidiaries which have not otherwise been provided for by the Company.

(iv) No Tax or Duty. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, no tax or duty (including any stamp or other issuance or transfer tax or duty and any tax or duty on capital gains or income (excluding any tax on capital gains or income imposed by the United States, any State thereof, or the District of Columbia), whether chargeable on a withholding basis or otherwise) is payable by or on behalf of any Initial Purchaser under the laws of Canada, Hong Kong, the PRC, the British Virgin Islands or the United States, or of any political subdivision, department or agency thereof, in connection with (A) the issuance of the Securities, (B) the sale and delivery by the Company of the Securities to such Initial Purchaser in the manner contemplated herein, (C) the resale and delivery of the Securities by such Initial Purchaser in the manner contemplated in the Disclosure Package and the Final Offering Memorandum or (D) the consummation of any other transaction contemplated in this Agreement or the Indenture; provided that (i) such Initial Purchaser is a non-resident of Canada who does not use or hold, and is not deemed to use or hold, the Securities or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year; (ii) in the case that an Initial Purchaser carries on an insurance business in Canada and elsewhere, this Agreement and the Securities are not "designated insurance property" in respect of such Initial Purchaser; and (iii) such Initial Purchase does not carry on a trade or business in Hong Kong and does not purchase or hold the Securities as part of such trade or business carried on in Hong Kong.

(iv) No Withholding Tax. All interest, principal, premium, if any, and other payments due under or made on the Securities may under the current laws and regulations of Canada, Hong Kong, the British Virgin Islands and the PRC be paid to the holders of the Securities, and all interest, principal, premium or other payment due under or made on the Securities will not be subject to withholding or other similar taxes under the laws and regulations of Canada, Hong Kong, the British Virgin Islands or the PRC and are otherwise free and clear of any other tax, withholding or deduction in Canada, Hong Kong, the British Virgin Islands and the PRC without necessity of obtaining any consents, approvals, authorizations, orders, registrations, clearances or qualifications of or with any governmental agency or body having jurisdiction over the Company or any of its Subsidiaries or any of their respective properties in the Canada, Hong Kong, the British Virgin Islands or the PRC.

(ivi) Validity under the Laws of Canada. It is not necessary under the laws of Canada or any political subdivision thereof or authority or agency therein in order to enable a Subsequent Purchaser of Notes or an owner of any interest therein to enforce its rights under the Notes or to enable the Initial Purchasers to enforce its rights under any of this Agreement, the Indenture or the Notes that it should, as a result solely of its holding of Notes be licensed, qualified, or otherwise entitled to carry on business in Canada or any political subdivision thereof or authority or agency therein; each of this Agreement, the Indenture and the Notes is in proper legal form under the laws of Canada and any political subdivision thereof or authority or agency therein for the enforcement thereof against the Company therein; and it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of this Agreement, the Indenture or the Notes in Canada or any political subdivision thereof or agency therein that any of them be filed or recorded with any court, authority or agency in any court, authority or agency of Canada or any political subdivision thereof.

(vii) Effect of Choice of Law Provision. Under the laws of the Province of Ontario, the courts of such province will recognize and give effect to the choice of law provisions set forth in Section 17 hereof and enforce judgments of any New York Court (as defined in Section 17) obtained against the Company or any Subsidiary Guarantor to enforce this Agreement, provided that (a) the parties' choice of New York Law is bona fide and legal and there is no reason for avoiding the choice of law on the grounds of public policy under the laws of the Province of Ontario; and (b) in any such proceeding, and notwithstanding the parties' choice of law, the Ontario Court: (i) will not take judicial notice of the provisions of New York Law but will only apply such provisions if they are pleaded and proven to its satisfaction by expert testimony; (ii) will apply the laws of the Province of Ontario and the federal laws of Canada applicable therein (collectively, "Ontario Law") that under Ontario Law would be characterized as procedural and will not apply any New York Law that under Ontario Law would be characterized as procedural; (iii) will apply provisions of Ontario Law that have overriding effect; (iv) will not apply any New York Law if such application would be characterized under Ontario Law as a direct or indirect enforcement of a foreign revenue, expropriatory, penal or other public law or if its application would be contrary to public policy under Ontario Law; and (v) will not enforce the performance of any obligation that is illegal under the laws of any jurisdiction in which the obligation is to be performed hereof); under the laws of the PRC, the choice of law provisions set forth in Section 16 hereof will be recognized by the courts of the PRC and any judgment obtained in any New York Court (as defined in Section 17 hereof) arising out of or in relation to the obligations of the Company under this Agreement will be recognized in PRC courts subject to the applicable provisions of the Civil Procedure Law of the PRC relating to the enforceability of foreign judgments.



(lviii) Effect of Submission to Jurisdiction Provision. Each of the Company and the Subsidiary Guarantors has the power to submit, and pursuant to Section 17 of this Agreement and the terms of the Indenture, has legally, validly, effectively and irrevocably submitted, to the jurisdiction of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York, and has the power to designate, appoint and empower, and pursuant to Section 17 of this Agreement and the terms of the Indenture, has legally, validly and effectively designated, appointed and empowered an agent for service of process in any suit or proceeding based on or arising under this Agreement, the Indenture or the Securities, as the case may be, in any New York Court (as defined in Section 17 hereof).

(b) Representations and Warranties by the Company and the Subsidiary Guarantors. Each Subsidiary Guarantor and the Company jointly and severally represents and warrants to each Initial Purchaser as of the date hereof and as of Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agrees with each Initial Purchaser, with respect to such Subsidiary Guarantor and its Subsidiary Guarantee, as follows:

(i) Incorporation and Good Standing of Subsidiary Guarantor. The Subsidiary Guarantor has been duly incorporated, amalgamated, formed or continued, as the case may be, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, and has the corporate power and authority to own its property and to conduct its business as described in the Disclosure Package and the Final Offering Memorandum. The Subsidiary Guarantor is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not cause a Material Adverse Effect.

(ii) Corporate Authority. The Subsidiary Guarantor has corporate right, power and authority to execute and deliver this Agreement, the Subsidiary Guarantee and the Indenture and to perform its obligations hereunder and thereunder; and all action required to be taken by the Subsidiary Guarantor for the due and proper authorization, execution and delivery of each of this Agreement, the Subsidiary Guarantee and the Indenture and the consummation of the transactions contemplated hereby and thereby has been duly and validly taken.

(iii) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Subsidiary Guarantor.

(iv) Absence of Violations, Defaults and Conflicts. The Subsidiary Guarantor is not, or with the giving of notice or lapse of the time or both would not be, (A) in violation of any provision of law, statute, rule or regulation or its charter, articles of incorporation, by-laws, business license, business permit or other constitutional documents or any judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Subsidiary Guarantor or any of its Subsidiaries or any of their assets, properties or operations or (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Subsidiary Guarantor or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of the property or assets of the Subsidiary Guarantor or any of its Subsidiaries is subject (collectively, "Subsidiary Guarantor Agreements and Instruments") except, in each case, for such violations or defaults that would not result in a Material Adverse Effect; and the execution and delivery of each of this Agreement and the Indenture by the Subsidiary Guarantor, the giving of the Subsidiary Guarantee, the performance by the Subsidiary Guarantor of its obligations under

this Agreement, the Indenture, the Subsidiary Guarantee and any other agreement or instrument entered into or issued or to be entered into or issued by the Subsidiary Guarantor in connection with the transactions contemplated hereby or thereby or in the Disclosure Package and the Final Offering Memorandum, the consummation of the transactions contemplated herein and in the Disclosure Package and the Final Offering Memorandum and compliance by the Subsidiary Guarantor with its obligations hereunder or thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined under Section 1(xiv)) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Subsidiary Guarantor or any of its Subsidiaries pursuant to, the Subsidiary Guarantor Agreements and Instruments, nor will such action result in any violation of the provisions of the charter, articles of incorporation, by-laws, business license, business permit or other constitutional documents of the Subsidiary Guarantor or any of its Subsidiaries or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Subsidiary Guarantor or any of its Subsidiaries or any of their assets, properties or operations.

(v) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Subsidiary Guarantor of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by the Transaction Documents or for the due execution, delivery or performance of this Agreement, the Subsidiary Guarantee or the Indenture by the Subsidiary Guarantor, except such as have been already obtained.

(vi) Authorization of the Subsidiary Guarantee. The Subsidiary Guarantee has been duly authorized by the Subsidiary Guarantor, and when executed and delivered by the Subsidiary Guarantor, will constitute a valid and binding agreement of the Subsidiary Guarantor enforceable against the Subsidiary Guarantor in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(vii) Authorization of the Indenture. The Indenture has been duly authorized by the Subsidiary Guarantor and, when executed and delivered by the Subsidiary Guarantor and other parties thereto, will constitute a valid and binding agreement of the Subsidiary Guarantor, enforceable against the Subsidiary Guarantor in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(viii) Investment Company Act. The Subsidiary Guarantor is not, and after giving effect to the Offering and Sale of the Securities and the application of the proceeds thereof as described in the Disclosure Package and the Final Offering Memorandum will not be, required to register as an "investment company" under 1940 Act.

(ix) Similar Offerings. Neither the Subsidiary Guarantor nor any of its Affiliates has, directly or indirectly, solicited any offer to buy, sold or offered to sell or otherwise negotiated in

respect of, or will solicit any offer to buy, sell or offer to sell or otherwise negotiate in respect of, in United States or to any United States citizen or resident, any security which is or would be integrated with the sale of the Securities in a manner that would require the offered Securities to be registered under the 1933 Act.

(x) No General Solicitation. None of the Subsidiary Guarantor, its Affiliates or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Subsidiary Guarantor and the Company make no representation) has engaged or will engage, in connection with the offering of the offered Securities, in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act.

(xi) No Directed Selling Efforts. With respect to those offered Securities sold in reliance on Regulation S, (A) none of the Subsidiary Guarantor, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Subsidiary Guarantor and the Company make no representation) has engaged or will engage in any directed selling efforts within the meaning of Regulation S and (B) each of the Subsidiary Guarantor and its Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Subsidiary Guarantor and the Company make no representation) has complied and will comply with any applicable offering restrictions requirement of Regulation S.

(xii) Absence of Manipulation. Neither the Subsidiary Guarantor nor any of its Affiliates has taken, nor will the Subsidiary Guarantor or any of its Affiliates take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xiii) Foreign Issuer. The Subsidiary Guarantor is a "foreign issuer" within the meaning of Rule 902 under the 1993 Act and reasonably believes there is no "substantial U.S. market interest" in the Subsidiary Guarantor's "debt securities" as such terms are defined in Rule 902 under the 1993 Act.

(c) Officer's Certificates. Any certificate signed by any officer of (i) the Company or any of its Subsidiaries, or (ii) any Subsidiary Guarantor delivered to the Representative or counsel for the Initial Purchasers shall be deemed a representation and warranty by the Company and/or such Subsidiary Guarantor, as the case may be, to each Initial Purchaser as to the matters covered thereby.

## SECTION 2. Sale and Delivery to the Initial Purchasers: Closing.

(a) Initial Securities. On the basis of the representations, warranties and agreements herein contained and subject to the terms and conditions herein set forth, the Company and the Subsidiary Guarantors agree to sell to each Initial Purchaser, severally and not jointly, and each Initial Purchaser, severally and not jointly, agrees to purchase from the Company and the Subsidiary Guarantors, at the price set forth in Schedule A, the aggregate principal amount of Initial Securities set forth in Schedule B opposite the name of such Initial Purchaser, plus any additional principal amount of Securities which such Initial Purchaser may become obligated to purchase pursuant to the provisions of Section 11 hereof.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company and the Subsidiary Guarantors hereby grant an option to the Initial Purchasers to purchase, severally and not jointly, up to an additional U.S.\$45,000,000 principal amount of Securities at the same price set forth in Schedule B for the Initial Securities, plus accrued interest, if any, from the Closing Time to the Date of Delivery (as

defined below). The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial Securities upon notice by Merrill Lynch to the Company setting forth the principal amount of Option Securities as to which the several Initial Purchasers, are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by Merrill Lynch, but shall not be later than seven full Business Days (as defined below) after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the Option Securities, each of the Initial Purchasers, acting severally and not jointly, will purchase that portion of the total principal amount of Option Securities then being purchased which the principal amount of Initial Securities set forth in Schedule A opposite the name of such Initial Purchaser bears to the total principal amount of Initial Securities, subject in each case to such adjustments as Merrill Lynch in its discretion shall make to eliminate any sales or purchasers of fractional Securities. For purposes of this Section 2, "Business Day" means any day except a Saturday, a Sunday or a day on which commercial banks in The City New York or Hong Kong are authorized by law to close or otherwise not open for business.

(c) *Payment.* Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the Hong Kong office of Davis Polk & Wardwell or at such other place as shall be agreed upon by the Representative and the Company, at 9:00 A.M. (New York time) on the fourth Business Day after the date hereof (unless postponed in accordance with the provisions of Section 11), or such other time not later than ten Business Days after such date as shall be agreed upon in writing by the Representative and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the Option Securities are purchased by the Initial Purchasers, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representative and the Company, on each Date of Delivery as specified in the notice from the Representative to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the Representative for the respective accounts of the Initial Purchasers of certificates for the Securities to be purchased by them. It is understood that each Initial Purchaser has authorized the Representative, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Securities which it has agreed to purchase. Merrill Lynch, individually and not as representative of the Initial Purchasers, may (but shall not be obligated to) make payment of the purchase price for the Securities to be purchased by any Initial Purchaser whose funds have not been received by Closing Time, but such payment shall not relieve such Initial Purchaser from its obligations hereunder.

(d) *Denominations; Registration.* Certificates for the Initial Notes and the Option Notes, if any, shall be in global form and registered in the name of Cede & Co., as nominee of DTC and shall be in such denominations (U.S.\$1,000 or integral multiples of U.S.\$1,000 in excess thereof) as the Representative may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The global certificates representing the Notes shall be made available for examination and packaging by the Initial Purchasers in The City of New York not later than 10:00 A.M. on the last business day prior to Closing Time or the relevant Date of Delivery, as the case may be. Delivery of (i) one or more global certificates evidencing Notes sold in offshore transactions in reliance on Regulation S of the 1933 Act to the Trustee, as custodian for DTC, on behalf of Clearstream Banking S.A. Luxembourg ("Clearstream"), and Euroclear Bank S.A./N.V., as operator of

the Euroclear System ("Euroclear"), and (ii) one or more global certificates representing Notes sold in reliance on Rule 144A under the 1933 Act to the Trustee, as custodian for DTC, shall be made at the Closing Time or the relevant Date of Delivery, as the case may be, for the respective accounts of the Initial Purchasers.

**SECTION 3. Covenants of the Company and the Subsidiary Guarantors.** The Company and each of the Subsidiary Guarantors covenants with the Initial Purchasers as follows:

(a) *Offering Memorandum.* The Company and the Subsidiary Guarantors, as promptly as possible, will furnish to each Initial Purchaser, without charge, such number of copies of the Offering Memorandum and any amendments and supplements thereto and documents incorporated by reference therein as such Initial Purchaser may reasonably request.

(b) *Notice and Effect of Material Events.* The Company and the Subsidiary Guarantors will immediately notify each Initial Purchaser, and confirm such notice in writing, of (x) any filing made by the Company and the Subsidiary Guarantors of information relating to the offering of the Securities with any securities exchange or any other regulatory body in the United States or any other jurisdiction, and (y) prior to the completion of the placement of the offered Securities by the Initial Purchasers, any material changes in or affecting the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise which (i) make any statement in the Disclosure Package, any Offering Memorandum or any Supplemental Offering Material false or misleading or (ii) are not disclosed in the Disclosure Package or the Offering Memorandum. In such event or if during such time any event shall occur as a result of which it is necessary, in the reasonable opinion of any of the Company, its counsel, the Initial Purchasers or counsel for the Initial Purchasers, to amend or supplement the Offering Memorandum in order that the Offering Memorandum not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances then existing, the Company will forthwith amend or supplement the Offering Memorandum by preparing and furnishing to each Initial Purchaser an amendment or amendments of, or a supplement or supplements to, the Offering Memorandum (in form and substance satisfactory in the reasonable opinion of counsel for the Initial Purchasers) so that, as so amended or supplemented, the Offering Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a Subsequent Purchaser, not misleading.

(c) *Amendment and Supplements to the Offering Memorandum; Preparation of Pricing Supplement; Supplemental Offering Materials.* The Company and the Subsidiary Guarantors will advise each Initial Purchaser promptly of any proposal to amend or supplement the Offering Memorandum and will not effect such amendment or supplement without the consent of the Initial Purchasers. Neither the consent of the Initial Purchasers, nor the Initial Purchasers' delivery of any such amendment or supplement, shall constitute a waiver of any of the conditions set forth in Section 5 hereof. The Company will prepare the Pricing Supplement, in form and substance satisfactory to the Representative, and shall furnish as soon as practicable but not later than the Applicable Time to each Initial Purchaser, without charge, as many copies of the Pricing Supplement as such Initial Purchaser may reasonably request. The Company and each of the Subsidiary Guarantors represents and agrees that, unless it obtains the prior consent of the Representative, it has not made and will not make any offer relating to the Securities by means of any Supplemental Offering Materials.

(d) *Qualification of Securities for Offer and Sale.* The Company and the Subsidiary Guarantors will use their best efforts, in cooperation with the Initial Purchasers, to enable that the Notes (and the Common Shares issuable upon conversion of the Notes) may be offered and sold on an exempt

basis under the applicable securities laws of such states and other jurisdictions as the Initial Purchasers may designate and to maintain such status in effect as long as required for the sale of the Notes; provided, however, that the Company and the Subsidiary Guarantors shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities business in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(e) *Use of Proceeds.* The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Offering Memorandum under "Use of Proceeds."

(f) *Stamp and Transfer Tax Indemnity.* The Company and the Subsidiary Guarantors will indemnify and hold each Initial Purchaser harmless against (a) any documentary, stamp or similar transfer or issue tax, duties or fees and any transaction levies, commissions or brokerage charges, including any interest and penalties, on the issue, sale and delivery to the Initial Purchasers of the Securities in accordance with the terms of this Agreement, the sale and delivery by the Initial Purchasers of the Securities to Subsequent Purchasers, and the execution and delivery of this Agreement and the Indenture and (b) any value-added tax payable in connection with the commissions and other amounts payable or allowable by the Company, in each case, that are or may be required to be paid under the laws of Canada, Hong Kong, the PRC, the British Virgin Islands, the United States or any other jurisdiction, or any political subdivision or taxing authority thereof or therein; provided that (i) the relevant Initial Purchaser is a non-resident of Canada who does not use or hold, and is not deemed to sue or hold, the Securities or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year; (ii) in the case that an Initial Purchaser carries on an insurance business in Canada and elsewhere, this Agreement and the Securities are not "designated insurance property" in respect of such Initial Purchaser; and (iii) such Initial Purchaser does not carry on a trade or business in Hong Kong and does not purchase or hold the Securities as part of such trade or business carried on in Hong Kong. The Company and the Subsidiary Guarantors agree that each Initial Purchaser may elect to deduct from the payments to be made by it to the Company under this Agreement, any amounts required to be paid by the Company and the Subsidiary Guarantors under this clause.

(g) *Restriction on Sale of Securities.* During a period of 90 days from the date of the Final Offering Memorandum (the "Lock-up Period"), the Company shall not, and shall cause any of its Subsidiaries not to, without the prior written consent of Merrill Lynch, directly or indirectly, (i) issue (in the case of the Company), sell, offer or agree to sell, grant any option for the sale of, or otherwise transfer or dispose of, any other debt securities of the Company, or securities of the Company that are convertible into, or exchangeable for, the Notes or such other debt securities, (ii) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise transfer or dispose of any Common Shares or securities convertible into or exchangeable or exercisable for or repayable with Common Shares or (iii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, the economic consequences of ownership of the Common Shares, or any securities convertible into or exchangeable or exercisable for or repayable with Common Shares, whether any such swap or transaction described in clause (ii) or (iii) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise; provided, however, that the Company may offer, issue and sell Common Shares or securities convertible into or exchangeable or exercisable for Common Shares, or debt securities (A) pursuant to this Agreement as set forth in the Disclosure Package and the Final Offering Memorandum, (B) pursuant to any employee, officer or director stock or benefit plan, or (C) upon the conversion or exercise of the Notes or securities outstanding on the date hereof.

(h) *PORTAL Designation* The Company will use its best efforts to permit the Notes to be designated PORTAL securities in accordance with the rules and regulations adopted by the Financial Industry Regulatory Authority, Inc. ("FINRA") relating to trading in the PORTAL Market.

(i) *Listing on Securities Exchange.* The Company will use its best efforts to cause all Common Shares issuable upon conversion of the Notes to be listed for trading on the TSX.

(j) *Reservation of Shares of Common Shares.* The Company shall reserve and keep available at all times, free of preemptive rights, Common Shares for the purpose of enabling the Company to satisfy any obligations to issue Common Shares upon conversion of the Notes.

(k) *Clearance and Settlement Systems.* The Company will use its best efforts to permit the Securities to be eligible for clearance and settlement through the facilities of DTC, Euroclear Bank or Clearstream.

(l) *Public Announcement.* Prior to the Closing Time, or a Date of Delivery, if any, the Company will not issue any press release or other communication directly or indirectly and hold no press conferences with respect to the Company or any of its Subsidiaries, the financial condition, results of operations, business properties, assets or liabilities of the Company or any of its Subsidiaries of the offering of the Securities, without the prior consultation of the Representative.

#### SECTION 4. Payment of Expenses.

(a) *Expenses.* The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing, delivery to the Initial Purchasers and any filing of any preliminary offering memorandum, the Disclosure Package and the Final Offering Memorandum (including financial statements and any schedules or exhibits and any document incorporated therein by reference) and of each amendment or supplement thereto or of any Supplemental Offering Material, (ii) the preparation, printing and delivery to the Initial Purchasers of this Agreement, any Agreement among Initial Purchasers, the Indenture and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Initial Purchasers and the certificates for the Common Shares issuable upon conversion thereof, including any transfer taxes, any stamp or other duties payable upon the sale, issuance and delivery of the Securities to the Initial Purchasers, the issuance and delivery of the Common Shares issuable upon conversion thereof and any charges of DTC or other applicable clearing system in connection therewith, (iv) the fees and disbursements of the Company's and any Subsidiary Guarantor's counsel, accountants and other advisors, (v) only in the event that the offering of the Securities as contemplated by this Agreement is terminated or otherwise not consummated, the out-of-pocket expenses incurred by the Initial Purchasers in connection with this offering, which shall include travel costs, document production and other customary expenses for this type of transaction, including the fees and disbursements of the Initial Purchasers' legal counsel, (vi) the qualification of the Notes and the Common Shares issuable upon conversion thereof under securities laws in accordance with the provisions of Section 3(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection therewith and in connection with the preparation of the Blue Sky Survey, any supplement thereto, (vii) the fees and expenses of the Trustee and any paying agent, transfer agent, registrar or depository and any security agent, including the fees and disbursements of counsel for the Trustee, in connection with the issuance of the Securities and other transactions contemplated under the Indenture and the Securities, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Securities including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and

lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of aircraft and other transportation chartered in connection with the road show, (ix) any fees and expenses payable in connection with the initial and continued designation of the Securities as PORTAL securities under the PORTAL Market Rules pursuant to FINRA Rule 5322, (x) all the fees, expenses and other costs incurred in connection with the application for the listing and quotation on the TSX of the Common Shares issuable upon conversion of the Securities, (xi) the fees and expenses incurred in connection with the appointment of any agent for service of process under this Agreement, the Indenture and other agreements contemplated herein or therein, (xii) all costs and expenses related to the preparation, filing and distribution of any announcements related to the offering of the Securities, (xiii) any fees payable in connection with the rating of the Securities, and (xiv) all other costs and expenses incident to the performance of the obligations of the Company and the Subsidiary Guarantors.

(b) *Reimbursement.* Without prejudice to subsection (c) below, the Company undertakes, forthwith after a request by an Initial Purchaser, to reimburse such Initial Purchaser the amount of any costs, charges, commissions, fees and expenses (including amounts in respect of VAT (or other similar tax) properly chargeable thereon) payable by the Company under the other subsections of this Section 4 which such Initial Purchaser may have properly paid or reasonably incurred.

(c) *Deduction from Proceeds.* Each Initial Purchaser may elect to deduct an amount equal to (A) the commissions payable by the Company; and (B) any such costs, charges, fees, and expenses (including amounts in respect of VAT (or other similar tax) chargeable thereon), which the Company has agreed to pay, indemnify or hold such Initial Purchaser harmless against, or which failed to be reimbursed by the Company, under or pursuant to this Agreement, from any payments to be made by such Initial Purchaser to the Company under Section 2 hereof.

(d) *Reimbursement Obligation Survives.* Reimbursement by the Company under subsections (a) and (b) above shall be made subject to the terms of these subsections, in any event irrespective of whether or not the offering of the offered Securities is completed.

(e) *Payments Free of Taxes.* All sums payable to the Initial Purchasers by the Company or the Subsidiary Guarantors under this Agreement shall be paid without set-off or counterclaim, and free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed by Canada, the British Virgin Islands, the United States, the PRC and Hong Kong, or by any department, agency or other political subdivision or taxing authority thereof, and all interest, penalties or similar liabilities with respect thereto. If any such taxes are required by law to be deducted or withheld in connection with such payments, the Company or the Subsidiary Guarantors, as the case may be, will increase the amount to be paid so that the full amount due is received.

(f) *Termination of Agreement.* If this Agreement is terminated by the Representative in accordance with the provisions of Section 5 or Section 10(a)(i) hereof, the Company and the Subsidiary Guarantors shall reimburse the Initial Purchasers for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Initial Purchasers. The Company and the Subsidiary Guarantors shall not be responsible for reimbursing any defaulting Initial Purchaser as described in Section 11 hereof.

**SECTION 5. Conditions of Initial Purchasers' Obligations.** The obligations of the Initial Purchasers hereunder are subject to the accuracy of the representations and warranties of the Company and the Subsidiary Guarantors contained in Section 1 hereof as of the date hereof and as of the Closing Time, except for such representations and warranties that speak to a specific time, in which case the representation and warranty shall be accurate as of such specified time; or in certificates of any officer of



the Company or any of its Subsidiaries delivered pursuant to the provisions hereof, to the performance by the Company and each of the Subsidiary Guarantors of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinions of Counsel for Company and Subsidiary Guarantors.* At Closing Time, the Representative shall have received (A) the favorable opinions, dated as of Closing Time, of (1) Aird & Berlis LLP, counsel for the Company as to Canadian law, to the effect set forth in Exhibit A-1 hereto, (2) Linklaters, counsel for the Company and certain Subsidiary Guarantors as to United States, Hong Kong and English law, to the effect set forth in Exhibit A-2 hereto, and (3) Appleby, counsel for the Company and certain Subsidiary Guarantors as to the laws of the British Virgin Islands, to the effect set forth in Exhibit A-3 hereof, in each case, in form and substance satisfactory to the Representative; and (B) a signed copy of the opinion, dated as of Closing Time, of Jingtian & Gongcheng, counsel for the Company as to PRC law, in form and substance satisfactory to the Representative and to the effect set forth in Exhibit A-4 hereto, and such opinion shall be addressed to the Company for its sole reliance and expressly consent to the Company's delivering a copy of such opinion to the Representative and the Initial Purchasers' U.S. counsel at Closing Time. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon the accuracy and truthfulness of the representations of the Company or the Subsidiary Guarantors in Section 1 hereof or certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(b) *Opinion of Counsel for Initial Purchasers.* At Closing Time, the Representative shall have received the favorable opinions, dated as of Closing Time, of (1) Stikeman Elliot LLP, counsel for the Initial Purchasers as to Canadian law, with respect to the matters set forth in Exhibit A-5 hereto, (2) Davis Polk & Wardwell, counsel for the Initial Purchasers as to United States law, to the effect set forth in Exhibit A-6 hereto and (3) Commerce & Finance Law Offices, counsel for the Initial Purchasers as to PRC law, to the effect set forth in Exhibit A-7 hereto. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its Subsidiaries, upon the accuracy and truthfulness of the representations of the Company or the Subsidiary Guarantors in Section 1 hereof or officers' certificates delivered by or on behalf of the Company or the Subsidiary Guarantors and certificates of public officials.

(c) *Officers' Certificate.* At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Disclosure Package and the Final Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representative shall have received (A) from the Company a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties made by the Company and each of the Subsidiary Guarantor in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, and (iii) the Company and each of the Subsidiary Guarantor has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time in all material respects; (B) from the Company a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company, dated as of Closing Time, to the effect set forth in Exhibit B, and (C) from each Subsidiary Guarantor a certificate signed by an executive officer of such Subsidiary Guarantor, dated as of Closing Time, to the effect that (i) the representations and warranties made by such Subsidiary Guarantor in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, and (ii) such Subsidiary Guarantor has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time in all material respects.

(d) *Accountants' Comfort Letter.* At the time of the execution of this Agreement, the Representative shall have received from each of (i) Ernst & Young LLP and (ii) BDO McCabe Lo Limited a letter dated such date, in form and substance satisfactory to the Representative, together with signed and reproduced copies of such letter for each of the other Initial Purchasers, containing statements and information of the type ordinarily included in accountants' "comfort letters" to the Initial Purchasers with respect to the financial statements and certain financial information contained in the Offering Memorandum.

(e) *Bring-down Comfort Letter.* At Closing Time, the Representative shall have received from Ernst & Young LLP a letter, dated as of Closing Time, to the effect that Ernst & Young LLP reaffirms the statements made in the letter furnished pursuant to subsection (d) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(f) *PORTAL.* At the Closing Time, the Notes shall have been designated for trading on PORTAL.

(g) *Conditional Approval of Listing on TSX.* At Closing Time, the TSX shall have received notice of the purchase and sale of the Notes, and shall have conditionally approved the Common Shares issuable upon conversion of the Securities for listing on the TSX, subject only to the customary post-closing deliveries to the TSX.

(h) *Maintenance of Rating.* At the Closing Time, the Securities shall be rated at least "Ba2" by Moody's Investors Service, and the Company shall have delivered to the Representative a letter dated the Closing Time, from each such rating agency, or other evidence satisfactory to the Representative, confirming that the Securities have such ratings. Since the date of this Agreement, there shall not have occurred a downgrading in the rating assigned to any of the Company's debt securities by any "nationally recognized statistical rating agency", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the 1933 Act, and no such securities rating agency shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities.

(i) *Indenture.* At or prior to the Closing Time, each of the Company, the Subsidiary Guarantors and the Trustee shall have executed and delivered the Indenture.

(j) *DTC.* The Securities shall have been declared eligible for clearance and settlement through DTC.

(k) *Appointment of Service of Process Agent.* Law Debenture Corporate Services Inc. shall have accepted, on or prior to Closing Time, the appointment by the Company and the Subsidiary Guarantors as provided in Section 17 of this Agreement and pursuant to the terms of the Indenture.

(l) *Subsidiary Guarantor Shareholder Approval.* Each Subsidiary Guarantor shall have provided to the Representative, approvals from the shareholders of the Subsidiary Guarantor approving the issuance by such Subsidiary Guarantor of its Subsidiary Guarantee.

(m) *Transfer of Cash.* At or prior to the Closing Time, the Company shall have caused the transfer of cash and cash equivalents in a total amount of approximately US\$100 million from Sino-Capital Global Inc. to Sino-Forest Resources Inc. so that the Non-consolidated Cash of Initial Non-Guarantor Subsidiaries at the Closing Time accounts for no more than 10% of the Consolidated Cash of the Company based on the most recently available non-consolidated financial statements of such Initial Non-Guarantor Subsidiaries and consolidated financial statements of the Company. Unless otherwise

defined in this Agreement, capitalized terms used in this clause shall have the same meanings as given to them in the Final Offering Memorandum under the caption "Description of the Notes—The Subsidiary Guarantees."

(n) *Conditions to Purchase of Option Securities.* In the event that the Initial Purchasers exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company and the Subsidiary Guarantors contained herein and the statements in any certificates furnished by the Company or any Subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery, except for such representations and warranties that speak to a specific time, in which case the representation and warranty shall be accurate as of such specified time, and, at the relevant Date of Delivery, the Representative shall have received:

(i) Officers' Certificate. (A)(x) From the Company, a certificate, dated such Date of Delivery, of the Chief Executive Officer and the Chief Financial Officer of the Company and (y) from each Subsidiary Guarantor a certificate, dated such Date of Delivery, of an executive officer of such Subsidiary Guarantor, each confirming that their respective certificates delivered at Closing Time pursuant to Section 5(c)(A) or (C) hereof, as the case may be, remain true and correct as of such Date of Delivery; and (B) from the Company, a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company in form and substance satisfactory to the Representative dated the date of such Date of Delivery, substantially in the same form and substance as the certificate delivered to the Representative pursuant to Section 5(c)(B) hereof, except that the "specified date" in the letter furnished pursuant to this clause shall be a date not more than three business days prior to such Date of Delivery,

(ii) Opinion of Counsel for Company and Subsidiary Guarantors. The favorable opinions of (1) Aird & Berlis LLP, counsel for the Company as to Canadian law, (2) Linklaters, counsel for the Company and certain Subsidiary Guarantors as to United States, Hong Kong and English law and (3) Appleby, counsel for the Company and certain Subsidiary Guarantors as to the laws of the British Virgin Islands, in form and substance satisfactory to the Representative, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as their respective opinions required by Section 5(a) hereof; and (B) a copy of the opinion of Jingtian & Gongcheng, counsel for the Company as to PRC law, in form and substance satisfactory to the Representative, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as its opinion required by, and satisfying the requirement under, Section 5(a) hereof.

(iii) Opinion of Counsel for the Initial Purchasers. The favorable opinions of (1) Stikeman Elliot LLP, counsel for the Initial Purchasers as to Canadian law, with respect to the matters set forth in Exhibit A-5 hereto, (2) Davis Polk & Wardwell, counsel for the Initial Purchasers as to United States law, to the effect set forth in Exhibit A-6 hereto and (3) Commerce & Finance Law Offices, counsel for the Initial Purchasers as to PRC law, to the effect set forth in Exhibit A-7 hereto dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery.

(iv) Bring-down Comfort Letter. A letter from Ernst & Young LLP, in form and substance satisfactory to the Representative and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representative pursuant to Section 5(e) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than three business days prior to such Date of Delivery.

(o) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the Initial Purchasers shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and each of the Subsidiary Guarantors in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representative and counsel for the Initial Purchasers.

(p) Termination of Agreement. If any condition specified in this Section 5 shall not have been fulfilled when and as required to be fulfilled, this Agreement, or in the case of any condition to the purchase of Option Securities, on a Date of Delivery which is after the Closing Time, the obligation of the Initial Purchasers to purchase the relevant Option Securities, may be terminated by the Representative by notice to the Company and the Subsidiary Guarantors at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 7, 8, 9, 12, 16, 17, 18, 20, 21 and 22 shall survive any such termination and remain in full force and effect.

#### SECTION 6. Subsequent Offers and Resales of the Securities.

(a) Offer and Sale Procedures. Each of the Initial Purchasers, the Company and the Subsidiary Guarantors hereby establish and agree to observe the following procedures in connection with the offer and sale of the Securities:

(i) Offers and Sales. Offers and sales of the Securities shall be made only to such persons and in such manner as is contemplated by the Offering Memorandum. Each Initial Purchaser severally agrees that it will not offer, sell or deliver any of the Securities in any jurisdiction outside the United States except under circumstances that will result in compliance with the applicable laws thereof and that it will take at its own expense whatever action is required to permit its purchase and the resale of the Securities in such jurisdiction.

(ii) No General Solicitation. No general solicitation or general advertising (within the meaning of Rule 502(c) under the 1933 Act) will be used in the United States in connection with the offering or sale of the Securities.

(iii) Purchases by Non-Bank Fiduciaries. In the case of a non-bank Subsequent Purchaser of a Security acting as a fiduciary for one or more third parties, each third party shall, in the judgment of the applicable Initial Purchaser, be a qualified institutional buyer, as defined in Rule 144A under the 1933 Act ("QIB") or a person outside the United States.

(iv) Subsequent Purchaser Notification. Each Initial Purchaser will take reasonable steps to inform, and cause each of its U.S. Affiliates to take reasonable steps to inform, persons acquiring Securities from such Initial Purchaser or its Affiliate, as the case may be, in the United States that the Securities (A) have not been and will not be registered under the 1933 Act, (B) are being sold to them without registration under the 1933 Act in reliance on Rule 144A or in accordance with another exemption from registration under the 1933 Act, as the case may be, and (C) may not be offered, sold or otherwise transferred except (1) to the Company or one of its Subsidiaries, (2) outside the United States in accordance with Regulation S and in accordance with the laws of the applicable jurisdiction, or (3) inside the United States in accordance with (x) Rule 144A to a person whom the seller reasonably believes is a QIB that is purchasing such Securities for its own account or for the account of a QIB to whom notice is given that the offer,

sale or transfer is being made in reliance on Rule 144A or (y) pursuant to another available exemption from registration under the 1933 Act.

(v) Minimum Principal Amount. No sale of the Notes to any one Subsequent Purchaser will be for less than U.S.\$1,000 principal amount and no Note will be issued in a smaller principal amount. If the Subsequent Purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$1,000 principal amount of the Notes.

(vi) Transfer Restriction. The transfer restrictions and the other provisions set forth in the Offering Memorandum under the caption "Transfer Restrictions," including the legend required thereby, shall apply to the Securities.

(b) Covenants of the Company and the Subsidiary Guarantors. The Company and each Subsidiary Guarantor jointly and severally covenants with each Initial Purchaser as follows:

(i) Integration. The Company and each Subsidiary Guarantor agrees that it will not and will cause its Affiliates not to, directly or indirectly, solicit any offer to buy, sell or make any offer or sale of, or otherwise negotiate in respect of, securities of the Company of any class if, as a result of the doctrine of "integration" referred to in Rule 502 under the 1933 Act, such offer or sale would render invalid (for the purpose of (i) the sale of the offered Securities by the Company to the Initial Purchasers, (ii) the resale of the offered Securities by the Initial Purchasers to Subsequent Purchasers or (iii) the resale of the offered Securities by such Subsequent Purchasers to others) the exemption from the registration requirements of the 1933 Act provided by Section 4(2) thereof or by Rule 144A or by Regulation S thereunder or otherwise.

(ii) Rule 144A Information. During any period in which the Company is not subject to Section 13 or 15(d) of the 1934 Act or exempt from reporting pursuant to Rule 12g3-2(b) under the 1934 Act, the Company will furnish, upon request, to each holder of the Notes or Common Shares to be issued upon conversion of the Notes, or any perspective purchaser designated by any such holder, information satisfying the requirements of Rule 144A(d)(4)(i) under the 1933 Act so long as any such Notes or Common Shares are "restricted securities" within the meaning of Rule 144A(d)(4)(i).

(iii) Restriction on Repurchases. Until the expiration of one year after the Closing Time or any Date of Delivery, if later, the Company will not, and will cause its Affiliates not to, resell any offered Securities which are "restricted securities" (as such term is defined under Rule 144(a)(3) under the 1933 Act), whether as beneficial owner or otherwise (except as agent acting as a securities broker on behalf of and for the account of customers in the ordinary course of business in unsolicited broker's transactions).

(c) Qualified Institutional Buyer. Each Initial Purchaser hereby represents and warrants to, and agrees with, the Company and the Subsidiary Guarantors, that it is a QIB and an "accredited investor" within the meaning of Section 501(a) under the 1933 Act.

(d) Resale Pursuant to Rule 903 of Regulation S or Rule 144A. Each Initial Purchaser understands that the offered Securities have not been and will not be registered under the 1933 Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act. Each Initial Purchaser severally represents and agrees that it has not offered or sold, and will not offer or sell, any offered Securities constituting part of its allotment within the United States except in accordance with Rule 903 of

Regulation S under the 1933 Act, Rule 144A under the 1933 Act or another applicable exemption from the registration requirements of the 1933 Act. Accordingly, neither it nor its affiliates or any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the offered Securities. Terms used in this paragraph have the meanings given to them by Regulation S.

(e) *European Economic Area.* In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser severally represents and agrees that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Securities which are the subject of the offering contemplated by the Offering Memorandum to the public in that Relevant Member State other than:

(i) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the manager for any such offer; or

(iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

(f) *United Kingdom.* Each Initial Purchaser severally represents and agrees that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company or any Subsidiary Guarantor and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

(g) *Hong Kong.* Each Initial Purchaser severally represents and agrees that it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document, any Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the

“Securities Ordinance”) and any rules made under the Securities Ordinance or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of such ordinance; and (B) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities which is directed at, or the contents of which are likely to be accessed or read by the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities Ordinance and any rules made under that ordinance.

(h) *Singapore.* Each Initial Purchaser acknowledges that the Offering Memorandum or any other materials distributed by it has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) under the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and that the Securities will be offered in Singapore pursuant to exemptions under Section 274 and 275 of the SFA. Accordingly, each Initial Purchaser severally represents and agrees that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell the Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor under the SFA; or

(ii) a trust (where the trustee is not an accredited investor under the SFA) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor under the SFA,

the shares, debentures or units of shares and debentures of that corporation, or the beneficiaries’ rights and interest in that trust, as the case may be, shall not be transferable for six months after that corporation or that trust has so acquired the Securities unless:

(1) the transfer is to an institutional investor under Section 274 of the SFA, or to a relevant person or to any person under Section 275(1) and Section 275(1A) of the SFA respectively, and in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

(i) *Japan.* The Securities have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and each Initial Purchaser severally

represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

(j) *Canada.* Each Initial Purchaser severally represents and agrees that it will not transfer, sell, or otherwise dispose of Notes, or Common Shares issuable on conversion of the Notes (or any legal or beneficial interest therein), in, or to a resident of, Canada, or through a Canadian stock exchange or over-the-counter trading market operating in Canada, until the date this is four months and one day following the Closing Time, unless such transfer, sale, or other disposition is made to a person that is an accredited investor within the meaning of National Instrument 45-106 of the Canadian Securities Administrators or unless the principal amount of Securities or Common Shares transferred, sold or otherwise disposed of is in a principal amount that is not less than C\$150,000.

(k) *PRC.* Each Initial Purchaser severally represents and agrees that it has not made and will not make any offer or sale of the Securities within the PRC by means of the Offering Memorandum or any other document.

#### SECTION 7. Indemnification.

(a) *Indemnification of Initial Purchasers.* The Company and each Subsidiary Guarantor, jointly and severally, agrees to indemnify and hold harmless each Initial Purchaser, its affiliates, as such term is defined in Rule 501(b) under the 1933 Act (each, an "Affiliate"), its selling agents and each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary offering memorandum, the Disclosure Package, the Final Offering Memorandum (or any amendment or supplement thereto) or any Supplemental Offering Materials, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;



*provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company and the Subsidiary Guarantors by any Initial Purchaser through Merrill Lynch expressly for use in any preliminary offering memorandum, the Disclosure Package, the Final Offering Memorandum (or any amendment or supplement thereto) or in any Supplemental Offering Materials, it being understood and agreed that the only such information consists of the following information: (i) the first paragraph on page iii in the Offering Memorandum; (ii) the name of the Initial Purchasers appearing in the first paragraph under the heading "Plan of Distribution" in the Offering Memorandum; and (iii) two paragraphs under the subheading "Plan of Distribution—Price Stabilization and Short Positions" in the Offering Memorandum.*

(b) *Indemnification of Company.* Each Initial Purchaser severally agrees to indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in any preliminary offering memorandum, the Disclosure Package, the Final Offering Memorandum or any Supplemental Offering Materials in reliance upon and in conformity with written information furnished to the Company by any Initial Purchaser through Merrill Lynch expressly for use therein, it being understood and agreed that only such information consists of the information described as such in subsection (a) above.

(c) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 7(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch and, in the case of parties indemnified pursuant to Section 7(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such

indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

**SECTION 8. Contribution.** If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Subsidiary Guarantors on the one hand and the Initial Purchasers on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Subsidiary Guarantors on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Subsidiary Guarantors on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the Subsidiary Guarantors and the total underwriting discount received by the Initial Purchasers, bear to the aggregate initial offering price of the Securities.

The relative fault of the Company and the Subsidiary Guarantors on the one hand and the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Subsidiary Guarantors or by the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Subsidiary Guarantors and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata (even if the Initial Purchasers were treated as one entity for such purpose) allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Securities purchased and sold by it hereunder exceeds the amount of any damages which such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section, each person, if any, who controls an Initial Purchaser within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Initial Purchaser's Affiliates and selling agents shall have the same rights to contribution as such Initial Purchaser, and each person, if any, who controls the Company and any of the Subsidiary Guarantors within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company and such Subsidiary Guarantor. The Initial Purchasers' respective obligations to contribute pursuant to this Section are several in proportion to the principal amount of Securities set forth opposite their respective names in Schedule A hereto and not joint.

**SECTION 9. Representations, Warranties and Agreements to Survive.** All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or its Subsidiaries or any Subsidiary Guarantor submitted pursuant hereto shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Initial Purchaser or its Affiliates or selling agents, any person controlling any Initial Purchaser, its officers or directors or any person controlling the Company or any Subsidiary Guarantor and (ii) delivery of and payment for the Securities.

**SECTION 10. Termination of Agreement.**

(a) *Termination; General.* The Representative may terminate this Agreement, by notice to the Company and the Subsidiary Guarantors, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the date as of which information is given in the Preliminary Offering Memorandum, the Disclosure Package or the Final Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representative, impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission, any Canadian provincial securities regulatory authority, the TSX, the Investment Industry Regulatory Organization of Canada, the Singapore Monetary Authority, the Singapore Exchange Securities Trading Limited or the NASDAQ System, or if trading generally on the TSX, the London Stock Exchange, the Singapore Exchange Securities Trading Limited, the Hong Kong Stock Exchange, the American Stock Exchange or the New York Stock Exchange or in the NASDAQ System has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the FINRA or any other governmental authority, or (iv) a material disruption has occurred in commercial banking or securities settlement or clearance services in Canada, the United States, Japan, the United Kingdom, Hong Kong, PRC, Singapore or with respect to Clearstream Bank, société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear System, or (v) if a banking moratorium has been declared by any Canadian, United States Federal or New York State, Japan, United Kingdom, European Central Bank, Hong Kong, PRC or Singapore authorities.

(b) *Liabilities.* If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 7, 8, 9, 12, 16, 17, 18, 20, 21 and 22 shall survive such termination and remain in full force and effect.

**SECTION 11. Default by One or More of the Initial Purchasers.** If one or more of the Initial Purchasers shall fail at Closing Time to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representative shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Initial Purchasers, or any other initial purchasers, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representative shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the aggregate principal amount of the Securities to be purchased hereunder, each of the non-defaulting Initial Purchasers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Initial Purchasers, or

(b) if the number of Defaulted Securities exceeds 10% of the aggregate principal amount of the Securities to be purchased hereunder, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser.

No action taken pursuant to this Section shall relieve any defaulting Initial Purchaser from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representative or the Company shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required changes in the Offering Memorandum or in any other documents or arrangements. As used herein, the term "Initial Purchaser" includes any person substituted for an Initial Purchaser under this Section.

**SECTION 12. Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Initial Purchasers shall be directed to Merrill Lynch, Pierce, Fenner & Smith Incorporated at 4 World Financial Center, New York, New York 10080, United States, Facsimile: (212) 449-3027, Attention: Global Origination Counsel, with a simultaneous copy to: Merrill Lynch (Asia Pacific) Limited at 15/F Citibank Tower, 3 Garden Road, Hong Kong, Facsimile: (852) 2161-7393; and notices to the Company or any Subsidiary Guarantor shall be directed to it at 3815-29, 38<sup>th</sup> Floor, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong, Facsimile: (852) 2877-0062, Attention: Emilia Sin, Legal Affairs Manager.

**SECTION 13. No Advisory or Fiduciary Relationship.** The Company and each Subsidiary Guarantor named herein acknowledges and agrees that (a) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company and the Subsidiary Guarantors, on the one hand, and the several Initial Purchasers, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction each Initial Purchaser is and has been acting solely as a principal and is not the agent or fiduciary of the Company or any Subsidiary Guarantor, or its shareholders, creditors, employees or any other party, (c) no Initial Purchaser has assumed and will assume an advisory or fiduciary responsibility in favor of the Company or any Subsidiary Guarantor with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Initial Purchaser has advised or is currently advising the Company or any Subsidiary Guarantor on other matters) and no Initial Purchaser has any obligation to the Company or any Subsidiary Guarantor with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Initial Purchasers and their respective Affiliates may be

engaged in a broad range of transactions that involve interests that differ from those of each of the Company and the Subsidiary Guarantors, and (e) the Initial Purchasers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company and the Subsidiary Guarantors have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate.

**SECTION 14. Integration.** This Agreement supersedes all prior agreements and understandings (whether written or oral) among the Company, the Subsidiary Guarantors and the Initial Purchasers, or any of them, with respect to the subject matter hereof.

**SECTION 15. Parties.** This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers and the Company, the Subsidiary Guarantors and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Initial Purchasers, the Company, the Subsidiary Guarantors and their respective successors and the controlling persons and officers and directors referred to in Sections 7 and 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Initial Purchasers, the Company, the Subsidiary Guarantors and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Initial Purchaser shall be deemed to be a successor by reason merely of such purchase.

**SECTION 16. GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

**SECTION 17. Submission to Jurisdiction; Appointment of Agent for Service; Waiver of Immunity.** (a) Each of the Company and the Subsidiary Guarantors irrevocably submits to the non-exclusive jurisdiction of any New York State or United States Federal court sitting in the Borough of Manhattan, The City of New York (a "New York Court") over any suit, action or proceeding arising out of or relating to this Agreement, the Disclosure Package, the Final Offering Memorandum or the offering of the Securities. Each of the Company and the Subsidiary Guarantors irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum.

(b) Each of the Company and the Subsidiary Guarantors hereby irrevocably appoints Law Debenture Corporate Services Inc., with offices at 400 Madison Avenue, 4<sup>th</sup> Floor, New York, NY 10017, United States, as its agent for service of process in any suit, action or proceeding described in the preceding paragraph and agrees that service of process in any such suit, action or proceeding may be made upon it at the office of such agent. Each of the Company and the Subsidiary Guarantors waives, to the fullest extent permitted by law, any other requirements of or objections to personal jurisdiction with respect thereto. Each of the Company and the Subsidiary Guarantors represents and warrants that such agent has agreed to act as the Company's or such Subsidiary Guarantor's agent for service of process, as the case may be, and each of the Company and the Subsidiary Guarantors agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect.

(c) To the extent that the Company, the Company's Subsidiaries or any of the Company's or its Subsidiaries' respective properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal

action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the competent jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any competent jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement and the transactions contemplated hereby, the Company and each of the Subsidiary Guarantors hereby irrevocably and unconditionally waives, and agrees not to plead or claim, and procures to so waive and not to please or claim, to the fullest extent permitted by law, any such immunity and consent to such relief and enforcement.

**SECTION 18. Judgment Currency.** If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder into any currency other than United States dollars, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures an Initial Purchaser could purchase United States dollars with such other currency in The City of New York on the business day immediately preceding that on which final judgment is given. The obligation of the Company or any Subsidiary Guarantor with respect to any sum due from it to any Initial Purchaser or any person controlling such Initial Purchaser shall, notwithstanding any judgment in a currency other than United States dollars, not be discharged until the first business day following receipt by such Initial Purchaser or controlling person of any sum in such other currency, and only to the extent that such Initial Purchaser or controlling person may in accordance with normal banking procedures purchase United States dollars with such other currency. If the United States dollars so purchased are less than the sum originally due to such Initial Purchaser or controlling person hereunder, each of the Company and the Subsidiary Guarantors agrees, jointly and severally, as a separate obligation and notwithstanding any such judgment, to indemnify such Initial Purchaser or controlling person against such loss. If the United States dollars so purchased are greater than the sum originally due to any Initial Purchaser or controlling person hereunder, such Initial Purchaser or controlling person agrees to pay to the Company or the relevant Subsidiary Guarantor, as applicable, an amount equal to the excess of the dollars so purchased over the sum originally due to such Initial Purchaser or controlling person hereunder.

**SECTION 19. TIME.** TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

**SECTION 20. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

**SECTION 21. Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction hereof.

**SECTION 22. Severability.** In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

[INTENTIONALLY LEFT BLANK BELOW]



If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Initial Purchaser, the Company and the Subsidiary Guarantors in accordance with its terms.

Sino-Forest Corporation

By:

Name:

Title:



A

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Initial Purchaser, the Company and the Subsidiary Guarantors in accordance with its terms.

Sino-Panel Holdings Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Asia) Inc.

By: [Signature]  
Name:  
Title:

Sino-Panel (Gaoyao) Ltd.

By: [Signature]  
Name:  
Title:

SFR (China) Inc.

By: [Signature]  
Name:  
Title:

Sino-Wood Partners, Limited

By: [Signature]  
Name:  
Title:



Sino-Forest Resources Inc.

By: [Signature]  
Name:  
Title:

Suri-Wood Inc.

By: [Signature]  
Name:  
Title:

Sino-Plantation Limited

By: [Signature]  
Name:  
Title:

Sino-Wood (Guangxi) Limited

By: [Signature]  
Name:  
Title:

Sino-Wood (Jiangxi) Limited

By: [Signature]  
Name:  
Title:

Sino-Global Holdings Inc.

By: [Signature]  
Name:  
Title:

Sinowin Investments Limited

By: [Signature]  
Name:  
Title:

Sino-Wood (Guangdong) Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (North East China) Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Hunan) Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Xiangxi) Limited

By: [Signature]  
Name:  
Title:

Sino-Forest Bio-Science Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Guangzhou) Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Suzhou) Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Yunnan) Limited

By: [Signature]  
Name:  
Title:

Sino-Panel (Guangxi) Limited

By: [Signature]  
Name:  
Title:

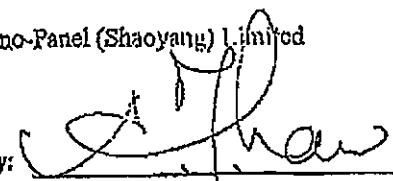
Sino-Panel (Guizhou) Limited

By: [Signature]  
Name:  
Title:

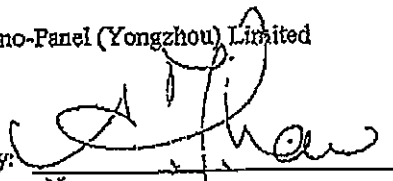
Sino-Panel (Qinzhou) Limited

By: [Signature]  
Name:  
Title:

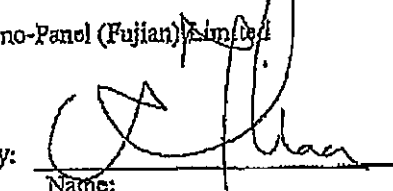
Sino-Panel (Shaoyang) Limited

By:   
Name:  
Title:

Sino-Panel (Yongzhou) Limited

By:   
Name:  
Title:

Sino-Panel (Fujian) Limited

By:   
Name:  
Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

For itself and as Representative of  
the other Initial Purchaser named  
in Schedule A hereto

By: 

Name:

*Saafian Zuberi*

Authorized Signatory

Signature Page to Purchase Agreement

## SCHEDULE A

Name of Initial Purchaser	Principal Amount of Securities
Merrill Lynch, Pierce, Fenner & Smith Incorporated .....	US\$216,600,000
Credit Suisse Securities (USA) LLC .....	US\$ 83,400,000
Total.....	<u>US\$300,000,000</u>

Sch A-1

## SCHEDULE B

Sino-Forest Corporation  
US\$300,000,000 5.00% Convertible Senior Notes due 2013

1. The initial public offering price of the Securities shall be 100% of the principal amount thereof, plus accrued interest, if any, from the date of issuance.
2. The purchase price to be paid by the Initial Purchasers for the Securities shall be 97.61% of the principal amount thereof.
3. The interest rate on the Securities shall be 5.00% per annum.
4. With respect to US\$60,000,000 principal amount of the Initial Securities to be purchased by Merrill Lynch and resold to an Affiliate of Merrill Lynch, Merrill Lynch will reimburse the Company US\$621,209, which is equal to the selling concession to be charged by Merrill Lynch in respect to such Initial Securities.

## SCHEDULE C

## Pricing Supplement

## Sino-Forest Corporation

US\$300,000,000

## 5% Convertible Senior Notes due 2013

Date: July 17, 2008

Issuer:	Sino-Forest Corporation
Securities Offered:	5% Convertible Senior Notes due 2013
Subsidiary Guarantors:	Certain of the Issuer's non-PRC subsidiaries, as described in the Preliminary Offering Memorandum
TSX Symbols for the Issuer's Common Shares:	"TRE" and "TRE.S"
Rating:	Moody's "(P)Ba2". Such rating is provisional and subject to change.
Principal Amount Offered:	US\$300,000,000
Over-allotment Option:	US\$45,000,000
Maturity:	August 1, 2013
Issuer Redemption Right:	None
Investor Put Dates:	None
Annual Interest Rate:	5.00%
Interest Payment Dates:	February 1 and August 1, beginning February 1, 2009
Principal Amount per Note:	US\$1,000
Issue Price:	100% of principal amount plus accrued interest, if any
Conversion Premium:	35%
Last Sale Price on the TSX (07/17/08):	Cdn\$15.05
Fixed Exchange Rate:	US\$1.00 = Cdn\$1.0016
Conversion Price:	Approximately Cdn\$20.32 (Approximately 135% of the Last Sale Price)
Conversion Rate:	49.2974
Conversion Rate Cap:	64.6000

Sch C-1



Initial Purchasers:	Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") Credit Suisse Securities (USA) LLC  The purchase price to be paid by the Initial Purchasers for the Notes in this offering will be 97.61% of the principal amount thereof.  Merrill Lynch is selling US\$60 million principal amount of Notes to an affiliate.  With respect to the US\$60 million principal amount of the Notes to be purchased by Merrill Lynch and resold to its affiliate, Merrill Lynch will reimburse the Issuer US\$621,209, which is equal to the selling concession Merrill Lynch will charge in respect of these Notes.
Trade Date:	July 17, 2008
Settlement Date:	July 23, 2008
CUSIP:	Rule 144A Notes: 82934H AB7 Regulation S Notes: C83912 AB8
ISIN:	Rule 144A Notes: US82934HAB78 Regulation S Notes: USC83912AB84

**Make Whole Premium:** The following table shows what the make whole premium, expressed as additional common shares per US\$1,000 principal amount of notes, would be in connection with certain fundamental changes for each hypothetical stock price paid per common share in the fundamental change transaction and effective date of the fundamental change set forth below:

**Make Whole Premium (Number of Additional Shares)**

Stock Price on Effective Date	July 23, 2008	August 1, 2009	August 1, 2010	August 1, 2011	August 1, 2012	August 1, 2013
USD\$15.03	15.3026	15.3026	15.3026	15.3026	15.3026	15.3026
USD\$20.00	10.7275	9.6933	8.5057	7.0717	5.1085	0.7159
USD\$25.00	7.6868	6.6954	5.5254	4.0838	2.2449	0.0000
USD\$30.00	5.9931	5.1345	4.1251	2.9096	1.5037	0.0000
USD\$35.00	4.9408	4.1978	3.3606	2.3440	1.2161	0.0000
USD\$40.00	4.2112	3.5723	2.8402	1.9885	1.0414	0.0000
USD\$45.00	3.6548	3.1028	2.4683	1.7310	0.9109	0.0000

The actual stock price and effective date may not be set forth in the table above, in which case:

- if the actual stock price on the effective date is between two stock prices on the table or the actual effective date is between two effective dates on the table, the make whole premium will be determined by a straight-line interpolation between the make whole premiums set forth for the two stock prices and the two effective dates on the table based on a 365-day year, as applicable;
- if the stock price on the effective date exceeds US\$45.00 per share, subject to adjustment as described below, no make whole premium will be paid; and

Sch C-2

- if the stock price on the effective date is less than US\$15.03 per share, (subject to adjustment as described below, no make whole premium will be paid.

Notwithstanding the foregoing, in no event will the total number of common shares issuable upon conversion exceed 64,6000 per US\$1,000 principal amount of notes, subject to adjustment in the same manner as the conversion rate.

*Certain information in the Preliminary Offering Memorandum is hereby updated, amended and superseded as follows:*

(1) *The first sentence of the third paragraph on page 14 of the Preliminary Offering Memorandum under the caption "Risk Factors – Risks Related to Our Business – We are subject to risks presented by fluctuations in exchange rates" is updated as follows:*

"At March 31, 2008 (after giving pro forma effect to the application of the proceeds of the Notes on the completion of this offering and assuming the Initial Purchasers do not exercise their overallocation option), our total long-term debt was US\$743.3 million of which a significant amount was denominated in currencies other than Renminbi, including US\$742.5 million denominated in U.S. dollars."

(2) USE OF PROCEEDS

(i) *The first sentence and the third bullet point in the second sentence in the subsection marked "Use of Proceeds" on page 7 of the Preliminary Offering Memorandum are updated respectively as follows:*

"We estimate that the net proceeds from the offering of the Notes will be approximately US\$291.0 million (or approximately US\$335.0 million if the Initial Purchasers' overallocation option is exercised in full), after deducting the Initial Purchasers' discount and offering expenses payable by us."

"As to the balance, which represents approximately US\$46.0 million, for general corporate purposes."

(ii) *The first sentence and the third clause in the second sentence of the section marked "Use of Proceeds" on page 34 of the Preliminary Offering Memorandum are updated respectively as follows:*

"We estimate that the net proceeds from this offering, after deducting the Initial Purchasers' underwriting commissions and the other estimated expenses payable in connection with this offering, will be approximately US\$291.0 million (or approximately US\$335.0 million if the Initial Purchasers' overallocation option is exercised in full)."

"As to the balance, which represents approximately US\$46.0 million, for general corporate purposes."

THIS COMMUNICATION IS INTENDED FOR THE SOLE USE OF THE PERSON TO WHOM IT IS PROVIDED BY THE SENDER. THE INFORMATION CONTAINED HEREIN DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY NOTES OR COMMON SHARES ISSUABLE UPON CONVERSION OF THE NOTES BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFERING OR SOLICITATION. THE NOTES DESCRIBED HEREIN AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THE NOTES HAVE NOT, AND WILL NOT, BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, INTO THE UNITED STATES UNLESS THE NOTES ARE SO REGISTERED OR THE NOTES ARE SOLD TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A OR OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATIONS OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS IS AVAILABLE.

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The information in this term sheet supplement the Company's Preliminary Offering Memorandum, dated July 16, 2008 (the "Preliminary Offering Memorandum"). This term sheet is qualified in its entirety by reference to the Preliminary Offering Memorandum. Terms used herein but not defined herein shall have the respective meanings as set forth in the Preliminary Offering Memorandum.

## SCHEDULE D-1

## List of the Subsidiary Guarantors

Set out below is a list of all of the Subsidiary Guarantors:

1. Sino-Panel Holdings Limited
2. Sino-Panel (Asia) Inc.
3. Sino-Panel (Gaoyao) Ltd.
4. SFR (China) Inc.
5. Sino-Wood Partners, Limited
6. Sino-Forest Resources Inc.
7. Suri-Wood Inc.
8. Sino-Plantation Limited
9. Sino-Wood (Guangxi) Limited
10. Sino-Wood (Jiangxi) Limited
11. Sino-Wood (Guangdong) Limited
12. Sino-Global Holdings Inc.
13. Sino-Panel (North East China) Limited
14. Sinowin Investments Limited
15. Sino-Panel [Hunan] Limited
16. Sino-Panel [Xiangxi] Limited
17. Sino-Panel Bio-Science Limited
18. Sino-Panel (Guangzhou) Limited
19. Sino-Panel [Suzhou] Limited
20. Sino-Panel (Yunnan) Limited
21. Sino-Panel (Guangxi) Limited
22. Sino-Panel (Guizhou) Limited
23. Sino-Panel (Qinzhou) Limited

Sch D-1-1

24. Sino-Panel (Shaoyang) Limited
25. Sino-Panel (Yongzhou) Limited
26. Sino-Panel (Fujian) Limited

SCHEDULE D-2  
LIST OF THE SUBSIDIARIES

Set out below is a list of all of the Subsidiaries:

1. Sino-Panel Holdings Limited (BVI)
2. Sino-Panel (Asia) Inc. (BVI)
3. Sino-Panel (Guangxi) Limited (BVI)
4. Hunan Jiayu Wood Products (HongJiang) Co. Limited (PRC) (WFOE)
5. Sino-Panel (North Sea) Limited (BVI)
6. Sino-Panel [Suzhou] Limited (BVI)
7. Sino-Panel (Yunnan) Limited (BVI)
8. Sino-Panel [Hunan] Limited (BVI)
9. Sino-Panel (Gaoyao) Limited (BVI)
10. SFR (China) Inc. (BVI)
11. Sino-Panel [Xiangxi] Limited (BVI)
12. Sino-Panel (North East China) Limited (BVI)
13. Hunan Jiayu Wood Products Co. Limited (PRC) (WFOE)
14. Sino-Panel (Luzhai) Co. Limited (PRC) (WFOE)
15. Sino-Panel (Beihai) Development Co. Limited (PRC) (WFOE)
16. Zhangjiagang Free Trade Zone Jiashen International Trading Co. Limited (PRC) (WFOE)
17. Sino-Panel (Gengma) Co. Limited (PRC) (WFOE)
18. Shaoyang Jiading Wood Products Co. Limited (PRC) (WFOE)
19. Guangdong Jiayao Wood Products Development Co. Limited (PRC) (WFOE)
20. Jiafeng Wood (Suzhou) Co. Limited (PRC) (WFOE)
21. Xiangxi Autonomous State Jiayi Forestry Development Co. Limited (PRC) (WFOE)
22. Heilongjiang Jiamu Panel Co. Limited (PRC) (WFOE)
23. Sino-Global Holdings Inc. (BVI)
24. Grandeur Winway Limited (BVI)
25. Sino-Maple (Shanghai) Co. Limited (PRC) (WFOE)

Sch D-2-1

26. Sino-Maple (Shanghai) Trading Co. Limited (PRC) (WFOE)
27. Sinowin Investments Limited (BVI)
28. Sinowin Plantings (Suzhou) Co. Limited (PRC) (WFOE)
29. Sino-Wood Partners Limited (HK)
30. Dynamic Profit Holdings Limited (BVI)
31. Sino-Forest Investments Limited (BVI)
32. Sino-Forest (China) Investments Limited (PRC) (WFOE)
33. Sino-Forest (Heyuan) Co. Limited (PRC) (WFOE)
34. Sino-Forest (Guangzhou) Co. Limited (PRC) (WFOE)
35. Sino-Forest (Guangzhou) Trading Co. Limited (PRC) (WFOE)
36. Sino-Forest (Suzhou) Trading Co. Limited (PRC) (WFOE)
37. Sino-Forest (Anhui) Co. Limited (PRC) (WFOE)
38. Sino-Forest Resources Inc. (BVI)
39. Sino-Plantation Limited (HK)
40. Sino-Wood (Guangxi) Limited (HK)
41. Guangxi Guijia Forestry Co. Limited (PRC) (WFOE)
42. Sino-Wood (Jiangxi) Limited (HK)
43. Jiangxi Jiachang Forestry Development Co. Limited (PRC) (WFOE)
44. Sino-Wood (Guangdong) Limited (HK)
45. Heyuan Jiahe Forestry Development Co. Limited (PRC) (WFOE)
46. Gaoyao Jiayao Forestry Development Co. Limited (PRC) (WFOE)
47. Sino-Wood (Fujian) Limited (HK)
48. Zhangzhou Jiamin Forestry Development Co. Limited (PRC) (WFOE)
49. Suri-Wood Inc. (BVI)
50. Sino-Panel Corporation (Canada)
51. Sino-Capital Global Inc. (BVI)
52. Sinowood Limited (Cayman Islands)
53. Sino-Forest Bio-Science Limited (BVI)
54. Sino-Panel (Huaihua) Limited (BVI)

55. Sino-Panel (Qinzhou) Limited (BVI)
56. Sino-Panel (Guizhou) Limited (BVI)
57. Sino-Panel (Yongzhou) Limited (BVI)
58. Sino-Panel (Fujian) Limited (BVI)
59. Sino-Panel (Shaoyang) Limited (BVI)
60. Sino-Panel (Guangzhou) Limited (BVI)
61. Sino-Biotechnology (Guangzhou) Co. Limited (PRC) (WFOE)
62. Sino-Panel (Guangxi) Development Co. Limited (PRC) (WFOE)
63. Sino-Panel (Hezhou) Co. Limited (PRC) (WFOE)
64. Sino-Panel (Sanjiang) Co. Limited (PRC) (WFOE)
65. Sino-Panel (Yunnan) Trading Co. Limited (PRC) (WFOE)
66. Sino-Panel (Guangzhou) Trading Co. Ltd (PRC) (WFOE)
67. Hunan Jiayu Wood Products (Zhijiang) Co. Limited (PRC) (WFOE)
68. Sino-Panel (Yuanling) Co. Limited (PRC) (WFOE)
69. Sino-Panel (Jianghua) Co. Limited (PRC) (WFOE)
70. Beihai Changqing Wooden Co. Limited (PRC) (Limited Company)
71. Suzhou City Lvyun Garden Engineering Co. Limited (PRC) (Limited Company)
72. Sinowood Holdings Limited (Cayman Islands)
73. Sinowood Finance Limited (BVI)
74. Khan Forestry Inc. (BVI)



## SCHEDULE D-3

## LIST OF NON-GUARANTOR SUBSIDIARIES ORGANIZED OUTSIDE THE PRC

Set out below is a list of all of the Non-Guarantor Subsidiaries Organized Outside the PRC:

1. Sino-Capital Global Inc. (BVI)
2. Dynamic Profit Holdings Limited (BVI)
3. Sino-Forest Investments Limited (BVI)
4. Grandeur Winway Limited (BVI)
5. Sinowood Limited (Cayman Islands)
6. Sino-Wood (Fujian) Limited (HK)
7. Sino-Panel (North Sea) Limited (BVI)
8. Sino-Panel (Huaihua) Limited
9. Sino-Panel Corporation (Canada)
10. Sinowood Holdings Limited (Cayman Islands)
11. Sinowood Finance Limited (BVI)
12. Khan Forestry Inc. (BVI)

## Exhibit A-1

FORM OF OPINION OF AIRD & BERLIS LLP  
TO BE DELIVERED PURSUANT TO  
SECTION 5(a)

July <\*>, 2008

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
15/F, Citibank Tower  
Citibank Plaza  
3 Garden Road, Central,  
Hong Kong

Credit Suisse Securities (USA) LLC  
Three Exchange Square  
22nd Floor  
8 Connaught Place, Central  
Hong Kong

Davis Polk & Wardwell  
The Hong Kong Club Building  
3A Chater Road  
Hong Kong

Stikeman Elliott LLP  
5300 Commerce Court West  
199 Bay Street  
Toronto, Ontario  
M5L 1B9

Dear Sirs:

Re: *Sino-Forest Corporation*  
Offering of US\$<\*> <\*>% Convertible Senior Notes

We have acted as Canadian counsel to Sino-Forest Corporation (the "Company") in connection with the issue and sale (the "Offering") on the date hereof by the Company to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Representative") and Credit Suisse Securities (USA) LLC (together, the "Initial Purchasers") of US\$<\*> <\*>% convertible senior notes (the "Purchased Notes") and the over-allotment option to purchase up to an additional US\$<\*> <\*>% convertible senior notes granted by the Company to the Initial Purchasers (the "Option Notes") (such Option Notes, together with the Purchased Notes are referred to collectively as the "Notes"). The Notes are being sold to the Initial Purchasers pursuant to a purchase agreement (the "Purchase Agreement") dated July <\*>, 2008 between the subsidiaries of the Company listed on Schedule D-1 to the Purchase Agreement (collectively, the "Subsidiary Guarantors"), the Company and the Representative.

#### Examinations

As such counsel, we have participated in the preparation of and have examined copies of the following:

- (a) the preliminary offering memorandum of the Company dated July 16, 2008 (the "Preliminary Offering Memorandum") as supplemented by the final pricing term sheet attached as Schedule B to the Purchase Agreement (together with the Preliminary Offering Memorandum, the "Disclosure Package");
- (b) the final offering memorandum of the Company dated July <\*>, 2008 (the "Final Offering Memorandum"); and
- (c) an executed indenture (the "Indenture") dated July <\*>, 2008 between the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee (the "Trustee").

A-I-1

The Disclosure Package, the Final Offering Memorandum, the Indenture and the Purchase Agreement are hereinafter referred to as the "Transaction Documents".

We have made such investigations and examined originals, facsimiles or copies, certified or otherwise identified to our satisfaction, of such certificates of public officials and of such other certificates, documents and records as we have considered necessary or relevant for the purposes of the opinions expressed below, including:

- (a) a certificate of the Chief Financial Officer of the Company, dated the date hereof, certifying certain factual matters (the "Officer's Certificate");
- (b) a Certificate of Compliance issued by Industry Canada relating to the Company dated July <\*>, 2008 (the "Certificate of Compliance"); and
- (c) a letter dated July <\*>, 2008 (the "TSX Letter") from the Toronto Stock Exchange (the "TSX") conditionally approving the listing of the common shares in the capital of the Company (the "Common Shares") issuable upon the due conversion of the Notes;

copies of all of which have been delivered to you.

#### Assumptions

For the purposes of this opinion, we have assumed, with respect to all documents examined by us, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, conformed, facsimile or photostatic copies. We have relied upon the certificates referred to above with respect to the accuracy of the factual matters contained therein.

In rendering the opinions expressed herein we have also assumed:

- (a) the identity and capacity of all individuals acting or purporting to act as public officials;
- (b) that each party to any agreement or instrument referred to herein, other than the Company, has all necessary power and authority to execute and deliver such agreement or instrument and do all acts and things as required or contemplated to be done thereby, has duly authorized the execution and delivery of such agreement or instrument and the observance and performance of its obligations thereunder, and has duly executed such agreement or instrument and has duly delivered the same to each of the other parties thereto;
- (c) the accuracy and completeness of all information provided to us by offices of public record;
- (d) the legal capacity of all individuals who are signatories to all documents;
- (e) that each party to any agreement or instrument referred to herein, other than the Company, was at the time of the execution and delivery of such agreement or instrument, and at all times to and including the date hereof, has remained validly incorporated, in existence and in good standing and that such agreement or instrument constitutes a legal, valid and binding agreement, enforceable against such party in accordance with its terms;
- (f) that the Indenture, the Purchase Agreement and the Notes reflect the entire agreement between the Company, the Initial Purchasers and the holders of the Notes and there are no ancillary agreements, written or verbal, that could reasonably be expected to affect the terms of the Purchase Agreement or the Indenture and the respective rights and

obligations of the Company, the Initial Purchasers or the holders of the Notes set out therein;

- (g) that the Indenture, the Purchase Agreement and the Notes were executed by the parties thereto outside of Canada;
- (h) that each of the Indenture, the Notes and the Purchase Agreement and the performance of the Company's obligations thereunder is legal, valid, binding and enforceable against the Company under the laws of the State of New York ("New York Laws") in accordance with its terms;
- (i) that the New York Laws are not contrary to public policy of the Province of Ontario as such term is understood under the laws of the Province of Ontario ("Public Policy");
- (j) the choice of New York Laws as the governing law of the Indenture, the Notes and the Purchase Agreement is legal under the New York Laws; and
- (k) with respect to the opinions set forth in paragraphs 15, 16 and 17, that the Common Shares are listed on the TSX at all relevant times.

We have assumed due compliance with all matters of the New York Laws and do not express or imply any opinion thereon. Without limiting the generality of the foregoing, we have assumed compliance with the requirements of the applicable New York Laws with respect to the execution and delivery of the Indenture, the Notes and the Purchase Agreement and all documents delivered pursuant thereto and that each of the Indenture and the Purchase Agreement and all documents delivered pursuant thereto have been duly executed and delivered in compliance with the laws of such jurisdiction.

#### Reliances

We are solicitors qualified to carry on the practice of law in the Province of Ontario. We have not made any independent examination of the laws of any jurisdiction other than the Province of Ontario and the federal laws of Canada applicable therein. The opinions expressed herein are limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein, as in force and effect on the date hereof.

For the purpose of the opinion expressed in paragraph 1(a), we have relied solely upon the Certificate of Compliance.

For the purpose of the opinion expressed in paragraph 2(d), we have relied solely upon the Officer's Certificate.

For the purpose of the opinion expressed in paragraph 19 as to the issued and outstanding shares in the capital of the Company contained under the caption of "Description of the Shares" in the Disclosure Package and the Final Offering Memorandum, we have relied solely upon a certificate dated July <\*>, 2008 from CIBC Mellon Trust Company (a copy of which has been delivered to you).

Where used herein, "to our knowledge" means the actual knowledge (and without independent inquiry) of the lawyers within our firm who have been actively involved in the preparation or negotiation, as applicable, of the Transaction Documents and/or documents related thereto and any lawyer currently within our firm who, as to information relevant to a particular opinion issue or confirmation regarding a particular factual matter, is primarily responsible for providing the response concerning that particular

opinion issue or confirmation and does not mean constructive knowledge or knowledge imparted to this firm or any member thereof under common law principles of agency or otherwise.

### Opinions

1. (a) The Company has been continued and is existing under the laws of Canada.
- (b) The Company has all requisite corporate power, capacity and authority to carry on its business and to own, lease and operate its property and assets as described in the Disclosure Package and the Final Offering Memorandum and to offer and issue the Notes and to execute, deliver and perform its obligations under the Purchase Agreement, the Indenture and the Notes.
- (c) The Company has all licenses, franchises, permits, authorizations, approvals, orders and other concessions of and from all governmental and regulatory authorities in Canada that are necessary to own or lease its properties and to conduct its businesses as described in the Disclosure Package and Final Offering Memorandum.
2. (a) The Company has an authorized, issued and outstanding capital as set forth in the Disclosure Package and Final Offering Memorandum.
- (b) All issued and outstanding Common Shares have been duly authorized and validly issued and are fully paid and non-assessable.
- (c) The authorized share capital of the Company conforms, in all material respects, to the description thereof contained in the Disclosure Package and Final Offering Memorandum.
- (d) Except as otherwise disclosed in the Disclosure Package and Final Offering Memorandum, there are no outstanding securities convertible into or exchangeable for, or warrants, rights or options to purchase from the Company, or obligations of the Company to issue, Common Shares or other classes of shares of the Company.
3. (a) Upon issuance and delivery of the Notes in accordance with the Purchase Agreement and the Indenture, the Notes shall be convertible at the option of the holder thereof for Common Shares in accordance with the terms of the Notes and the Indenture.
- (b) The Common Shares issuable upon conversion of the Notes have been duly authorized and, as of the Closing Time (as such term is defined in the Purchase Agreement), reserved for issuance upon such conversion by all necessary corporate action and such Common Shares, when issued upon such conversion, will be validly issued as fully paid and non-assessable, and will carry the same rights, privileges and restrictions as the other issued and outstanding Common Shares.
- (c) To our knowledge, the issuance of the Common Shares upon conversion of the Notes is not subject to the preemptive or other similar rights of any securityholder of the Company.
4. All necessary corporate action has been taken by the Company to authorize and issue the Notes in accordance with the provisions of the Indenture and to authorize the execution and delivery of the

Notes, the Purchase Agreement and the Indenture and the performance of the Company's obligations thereunder.

5. Each of the Notes, the Indenture and the Purchase Agreement has been duly authorized, executed and delivered by the Company.
6. All necessary corporate action has been taken by the Company to authorize the issue, delivery and distribution of each of the Disclosure Package and the Final Offering Memorandum.
7. The Common Shares issuable upon conversion of the Notes in accordance with the terms of the Indenture have been conditionally approved for listing on the TSX, subject to compliance by the Company with the terms and conditions contained in the TSX Letter.
8. CIBC Mellon Trust Company at its principal office in the City of Toronto has been duly appointed as the transfer agent and registrar for the Common Shares.
9. Neither the Initial Purchasers nor the Trustee will be deemed to be resident for the purposes of the *Income Tax Act* (Canada) solely (including on the assumption that the Trustee is not otherwise resident in Canada) by reason of the execution, delivery or consummation of any of the Purchase Agreement, the Indenture or the Notes or by reason of ownership of the Notes or the Common Shares issuable upon conversion of the Notes.
10. To our knowledge, the Company does not have any material subsidiaries organized under the laws of Canada or a province or territory of Canada.
11. The execution and delivery of each of the Purchase Agreement, the Indenture and the Notes and the performance of the Company's and each Subsidiary Guarantor's obligations under the Purchase Agreement, the Indenture and the Notes and the issuance, sale and delivery of the Notes, and the use of the proceeds therefrom, do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:
  - (a) any of the terms, conditions or provisions of the articles or by-laws of the Company, or any resolution of any of its directors (or committees of directors) or shareholders; or
  - (b) any laws of the Province of Ontario or the federal laws of Canada applicable therein; or
  - (c) the mortgages, hypothecs, notes, indentures, contracts, agreements and instruments ("Ontario Contracts") governed by the laws of the Province of Ontario under which the Company or any Subsidiary Guarantor is bound and which are identified on the Officer's Certificate, except for such conflicts, breaches or defaults which would not:
    - (i) individually or in the aggregate, have a material adverse effect on the general affairs, management, shareholders' equity, results of operations or position, financial or otherwise, of the Company; or
    - (ii) affect the validity of, or have any adverse effect on, the issue and sale of the Notes, other transactions contemplated under the Purchase Agreement.

12. To our knowledge, the Company is not in violation of its articles or in default in the performance or observance of any of its material obligations, agreements, covenants or conditions contained in any Ontario Contract.
13. To our knowledge, there are no legal or governmental proceedings pending or threatened in Canada to which the Company or its Subsidiary Guarantors is a party or to which any of their material properties or assets are subject.
14. No consent, approval, authorization, filing with (including, without limitation, the filing of any prospectus, registration statement or similar document) or order of any court or governmental agency or body in Canada, including without limitation in the Province of Ontario, is required in connection with the transactions contemplated in the Purchase Agreement and the Indenture, except,
  - (a) with respect to the purchase of any Notes by any purchasers subject to the securities laws of the Province of Ontario, the filing of a report in Form 45-106F1 – Report of Exempt Distribution, as prescribed by National Instrument 45-106 – Prospectus and Registration Exemptions, together with applicable fees and a copy of any offering memorandum and any amendment thereto provided to such purchaser, to the Ontario Securities Commission within 10 days after the date of such purchase; and
  - (b) to the extent that the TSX is considered a governmental agency or body, such filings as may be required to be made to the TSX as set out in the TSX letter.
15. No stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Initial Purchasers under the laws of Canada or the Province of Ontario in connection with (A) the execution and delivery of the Purchase Agreement and the Indenture; (B) the issuance, sale and delivery by the Company to or for the account of the Initial Purchasers of the Notes or (C) the sale and delivery by the Initial Purchasers of the Notes to the initial purchasers thereof, provided that (i) each of the Initial Purchasers is a non-resident of Canada for the purposes of the *Income Tax Act* (Canada) who does not use or hold, and is not deemed to use or hold, the Notes or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year; (ii) in the case of an Initial Purchaser that carries on an insurance business in Canada and elsewhere, the Purchase Agreement and the Notes are not designated insurance property within the meaning of the *Income Tax Act* (Canada) of such Initial Purchasers; and (iii) an Initial Purchaser, together with persons with whom the Initial Purchaser does not deal at arm's length, does not own and has not owned in the preceding 60 months, and is not deemed to own or to have owned in the preceding 60 months, 25% or more of the shares of any class or series of the Company.
16. The Company will not be required under the *Income Tax Act* (Canada) including the regulations promulgated thereunder or the tax legislation of the Province of Ontario (collectively, the "Canadian Tax Law") to withhold tax on account of: (i) any amount paid or credited, or deemed to be paid or credited, by or on behalf of the Company in respect of the principal amount of, or any premium on, the Notes, (ii) the issue or delivery of Common Shares (or other property) upon conversion of the Notes or any adjustment to the conversion rate of the Notes, in each case, in accordance with the terms of the Indenture, or (iii) any amount paid or credited, or deemed to be paid or credited, by or on behalf of the Company as, on account or in lieu of payment of, or in satisfaction of, interest payable (or deemed to be payable) on the Notes to any holder of the Notes who, for the purposes of the Canadian Tax Law, is neither resident nor deemed to be resident in Canada and who is dealing with the Company at arm's length at the time of such payment or

crediting (a "Non-Resident Holder"). Under the Canadian Tax Law, no tax on income (including taxable capital gains) is or will be payable by a Non-Resident Holder merely as a result of entering into the Purchase Agreement or the holding, sale, redemption, conversion, or other disposition of the Notes, or in respect of the payment or crediting by or on behalf of the Company of the principal amount outstanding under the Notes or any premium or interest on such amount, provided that, (i) the Non-Resident Holder does not use or hold, and is not deemed to use or hold, the Notes or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year; (ii) in the case of a Non-Resident Holder that carries on an insurance business in Canada and elsewhere, the Purchase Agreement and the Notes are not designated insurance property within the meaning of the *Income Tax Act* (Canada) of such Non-Resident Holder; and (iii) at the time of any redemption, conversion or other disposition of a Note by the Non-Resident Holder, the Non-Resident Holder, together with persons with whom the Non-resident does not deal at arm's length, does not own and has not owned in the preceding 60 months, and is not deemed to own or to have owned in the preceding 60 months, 25% or more of the shares of any class or series of the Company.

17. The statements made in the Disclosure Package and the Final Offering Memorandum under the caption "Taxation – Canada" fairly present, subject to the qualifications and limitations set out therein, a general summary of the principal Canadian federal income tax considerations generally applicable to a U.S. Resident (as defined therein) who acquires Notes pursuant to the terms set forth in or contemplated by the Disclosure Package and the Final Offering Memorandum or receives Common Shares upon conversion of the Notes in accordance with the terms of the Indenture.
18. The statements included in the Disclosure Package and the Final Offering Memorandum under the captions "Description of the Notes" and "Transfer Restrictions", insofar as such statements relate to matters of the laws of the Province of Ontario and the federal laws of Canada applicable therein, fairly summarize in all material respects such matters.
19. The statements made in the Disclosure Package and the Final Offering Memorandum under the caption "Description of Shares", insofar as such statements constitute summaries of principal attributes of the share capital of the Company or summaries of certain provisions of the *Canada Business Corporations Act*, constitute fair summaries of such provisions.
20. The statements made in the Disclosure Package and the Final Offering Memorandum under the captions "Enforcement of Civil Liabilities" and "Risk Factors", insofar as such statements relate to matters of the laws of the Province of Ontario and the federal laws of Canada applicable therein, are true and accurate.
21. In any proceeding brought before a court of competent jurisdiction in the Province of Ontario (an "Ontario Court") for the enforcement of the Purchase Agreement, the Indenture or the Notes, the Ontario Court would apply the laws of the State of New York ("New York Law"), in accordance with the parties' choice of New York Law in the Purchase Agreement, the Indenture and the Notes, to all issues which under the laws of the Province of Ontario are to be determined in accordance with the chosen law of the contract, provided that:
  - (a) the parties' choice of New York Law is bona fide and legal and there is no reason for avoiding the choice of law on the grounds of public policy under the laws of the Province of Ontario; and



- (b) in any such proceeding, and notwithstanding the parties' choice of law, the Ontario Court:
- (i) will not take judicial notice of the provisions of New York Law but will only apply such provisions if they are pleaded and proven to its satisfaction by expert testimony;
  - (ii) will apply the laws of the Province of Ontario and the federal laws of Canada applicable therein (collectively, "Ontario Law") that under Ontario Law would be characterized as procedural and will not apply any New York Law that under Ontario Law would be characterized as procedural;
  - (iii) will apply provisions of Ontario Law that have overriding effect;
  - (iv) will not apply any New York Law if such application would be characterized under Ontario Law as a direct or indirect enforcement of a foreign revenue, expropriatory, penal or other public law or if its application would be contrary to public policy under Ontario Law; and
  - (v) will not enforce the performance of any obligation that is illegal under the laws of any jurisdiction in which the obligation is to be performed.

22. An Ontario Court would give a judgment based upon a final and conclusive *in personam* judgment of a State or Federal court exercising jurisdiction in the Borough of Manhattan, The City of New York, New York (a "New York Court") for a sum certain, obtained against the Company with respect to a claim arising out of the Purchase Agreement, the Indenture or the Notes without reconsideration of the merits, subject to the following defences that the New York judgment:

- (a) was obtained by fraud or in any manner contrary to the principles of natural justice;
- (b) was for a claim which under Ontario Law would be characterized as based on a foreign revenue, expropriatory, penal or other public law;
- (c) is contrary to public policy or to an order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada) or by the Competition Tribunal under the *Competition Act* (Canada) in respect of certain judgments referred to in those status; and
- (d) has been satisfied or is void or voidable under New York Law; and

provided that:

- (i) an action to enforce a judgment of a New York Court must be commenced in the Ontario Court within any applicable limitation period;
- (ii) the Ontario Court will render judgment only in Canadian dollars;
- (iii) the Ontario Court has discretion to stay or decline to hear an action in respect of the New York judgment if the New York judgment is under appeal, or there is

another subsisting judgment in any jurisdiction relating to the same cause of action as such New York judgment; and

- (iv) an action in the Ontario Court on the New York judgment may be affected by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

23. The submission by the Company to the non-exclusive jurisdiction of a New York Court contained in the Purchase Agreement, the Indenture and the Notes would be recognized and given effect by an Ontario Court as a valid submission to the jurisdiction of such courts, provided that the provisions of the Purchase Agreement, the Indenture and the Notes respecting service of process on the Company are complied with. A judgment of a New York Court would not be contrary to natural justice by reason only that service of process in the proceedings before the New York Court was effected on the agent for service of process appointed by the Company pursuant to the Indenture, the Notes and the Purchase Agreement.

This opinion is addressed to you and is solely for your benefit in connection with the Offering and may not be quoted from or otherwise referred to in any other document or be used or relied upon by you or be communicated or relied upon by any other person.

Yours truly,

Exhibit A-2

FORM OF OPINION OF  
LINKLATERS  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

**Linklaters U.S. Opinion (1)**

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
4 World Financial Center  
New York, New York 10080  
United States  
("Merrill Lynch")

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States  
("Credit Suisse", and together with Merrill Lynch,  
the "Initial Purchasers")

July [•], 2008

Dear Sirs

**Sino-Forest Corporation (the "Issuer")**

**[•] % Convertible Senior Notes due 2013 (the "Notes")**

Guaranteed by Sino-Panel Holdings Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), SFR (China) Inc. (BVI), Sino-Wood Partners, Limited (H.K.), Sino-Forest Resources Inc. (BVI), Suri-Wood Inc. (BVI), Sino-Plantation Limited (H.K.), Sino-Wood (Guangxi) Limited (H.K.), Sino-Wood (Jiangxi) Limited (H.K.), Sino-Global Holdings Inc. (BVI), Sinowin Investments Limited (BVI), Sino-Wood (Guangdong) Limited (H.K.), Sino-Panel (North East China) Limited (BVI), Sino-Panel [Hunan] Limited (BVI), Sino-Panel [Xiangxi] Limited (BVI), Sino-Forest Bio-Science Limited (BVI) (formerly known as Sino-Two Limited), Sino-Panel (Guangzhou) Limited (BVI), Sino-Panel [Suzhou] Limited (BVI), Sino-Panel (Yunnan) Limited (BVI), Sino-Panel (Guangxi) Limited (BVI), Sino-Panel (Guizhou) Limited (BVI), Sino-Panel (Qinzhou) Limited (BVI), Sino-Panel (Shaoyang) Limited (BVI), Sino-Panel (Yongzhou) Limited (BVI), and Sino-Panel (Fujian) Limited (BVI) (the "Subsidiary Guarantors")  
Convertible into common shares, no par value (the "Common Shares"), of the Issuer

A-2-1

- 1 We have acted as special United States counsel to the Issuer and the Subsidiary Guarantors in connection with the execution by you, the Issuer and the Subsidiary Guarantors of the Purchase Agreement dated July [•], 2008 (the "Purchase Agreement") relating to the offer and sale of the Notes, guaranteed as to payment of principal and interest by the Subsidiary Guarantors (the "Guarantees"). The Notes and the Guarantees are being issued pursuant to the Indenture dated as of July [•], 2008 (the "Indenture"), between the Issuer, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee (the "Trustee"). Each capitalized term used but not defined herein shall have the meaning ascribed to it in the Purchase Agreement.
- 2 This opinion is limited to the federal law of the United States and the laws of the State of New York, and we express no opinion as to the effect of the laws of any other State of the United States or any other jurisdiction.
- 3 For the purpose of this opinion, we have examined the Purchase Agreement, the Indenture, such certificates and other documents and such questions of law, as we have considered necessary or appropriate. We have assumed that the Issuer and each of the Subsidiary Guarantors has the power to execute and deliver the Purchase Agreement, the Notes, the Guarantees and the Indenture, and perform its obligations thereunder, that the Purchase Agreement, the Notes, the Guarantees and the Indenture have been duly and validly authorised, executed and delivered under the laws of Canada by the Issuer, under the laws of Hong Kong by Sino-Wood Partners, Limited (H.K.), Sino-Plantation Limited (H.K.), Sino-Wood (Guangxi) Limited (H.K.), Sino-Wood (Jiangxi) Limited (H.K.), and Sino-Wood (Guangdong) Limited (H.K.), and under the laws of the British Virgin Islands by Sino-Panel Holdings Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), SFR (China) Inc. (BVI), Sino-Forest Resources Inc. (BVI), Suri-Wood Inc. (BVI), Sino-Global Holdings Inc. (BVI), Sinowin Investments Limited (BVI), Sino-Panel (North East China) Limited (BVI), Sino-Panel [Hunan] Limited (BVI), Sino-Panel [Xiangxi] Limited (BVI), Sino-Forest Bio-Science Limited (BVI) (formerly known as Sino-Two Limited), Sino-Panel (Guangzhou) Limited (BVI), Sino-Panel [Suzhou] Limited (BVI), Sino-Panel (Yunnan) Limited (BVI), Sino-Panel (Guangxi) Limited (BVI), Sino-Panel (Guizhou) Limited (BVI), Sino-Panel (Qinzhou) Limited (BVI), Sino-Panel (Shaoyang) Limited (BVI), Sino-Panel (Yongzhou) Limited (BVI), and Sino-Panel (Fujian) Limited (BVI), that the Notes and the Guarantees conform to the form examined by us and that the signatures on all documents examined by us are genuine, assumptions that we have not independently verified.
- 4 In our opinion:
  - 4.1 The Purchase Agreement has been duly executed and delivered by each of the Issuer and the Subsidiary Guarantors.
  - 4.2 The Notes and the Guarantees have been duly executed, authenticated, issued and delivered and constitute valid and legally binding obligations of the Issuer and the Subsidiary Guarantors, as the case may be, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium or similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

- 4.3 The Indenture has been duly executed and delivered by the Issuer and the Subsidiary Guarantors and, assuming due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding agreement of the Issuer and the Subsidiary Guarantors enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.
- 4.4 Registration of the Notes and the Guarantees under the United States Securities Act of 1933 (the "Securities Act"), and qualification of an indenture under the United States Trust Indenture Act of 1939, are not required for (i) the sale of the Notes by the Issuer to the Initial Purchasers and (ii) the offer and initial resale of the Notes by the Initial Purchasers, in each case in the manner contemplated by the Purchase Agreement, it being understood that we express no opinion as to any subsequent offer or resale of any Notes.
- 4.5 Neither the Issuer nor any of the Subsidiary Guarantors is, and after giving effect only to, the offer and sale of the Notes and the Guarantees and the application of the proceeds thereof as described in the Final Offering Memorandum dated July [•], 2008 (the "Final Offering Memorandum"), will not be, an investment company within the meaning of the United States Investment Company Act of 1940 and the rules and regulations thereunder.
- 4.6 The Preliminary Offering Memorandum dated July [•], 2008, as supplemented by the final pricing term sheet, in the form attached to the Purchase Agreement as Schedule B (the "Pricing Supplement"), is referred to herein as the "Disclosure Package". The statements under the captions "Description of the Notes," "Taxation - United States Taxation", and "Plan of Distribution" in the Disclosure Package and the Final Offering Memorandum used in connection with the offer and sale of the Notes and the Guarantees, in each case insofar as those statements summarize provisions of documents governed by New York law or provisions of United States Federal tax law therein described, in the case of the Disclosure Package, at the Applicable Time (as defined in the Purchase Agreement) and, in the case of the Final Offering Memorandum, at its date and at the time and date of delivery of this opinion, were fair and accurate summaries in all material respects.
- 4.7 All regulatory consents, authorizations, approvals and filings required to be obtained or made by the Issuer and the Subsidiary Guarantors on or prior to the date hereof under the federal laws of the United States and the laws of the State of New York for the execution and delivery of the Purchase Agreement, the Notes, the Guarantees and the Indenture and the performance of their respective obligations thereunder have been obtained or made; provided, however, that we express no opinion with respect to United States federal or State securities laws.
- 4.8 The execution and delivery by the Issuer and the Subsidiary Guarantors of the Purchase Agreement, the Notes, the Guarantees and the Indenture do not, and the performance by the Issuer and the Subsidiary Guarantors of their respective obligations under the Purchase Agreement, the Notes, the Guarantees and the Indenture will not, violate any existing federal law of the United States or law of the State of New York applicable to the Issuer and

the Subsidiary Guarantors or result in a default under or breach of the Indenture dated August 17, 2004, between the Issuer, the subsidiary guarantors named therein and Law Debenture Trust Company of New York as trustee thereunder (amended and supplemented as of January 25, 2006, February 24, 2006, November 22, 2006, October 8, 2007 and July [•], 2008); provided, however, that for purposes of this paragraph 4.8, we express no opinion with respect to United States federal or State securities laws, other anti-fraud laws, fraudulent transfer laws, the U.S. Employee Retirement Income Security Act of 1974 and related laws; and provided, further, that insofar as performance by the Issuer and the Subsidiary Guarantors of their respective obligations under the Purchase Agreement, the Notes, the Guarantees and the Indenture is concerned, we express no opinion as to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws of general applicability relating to or affecting creditors' rights or as to the effect of general equity principles.

- 4.9 The Issuer and each Subsidiary Guarantor has, pursuant to Section [•] of the Purchase Agreement and Section [•] of the Indenture, validly submitted to the jurisdiction of the courts within the Borough of Manhattan in The City of New York specified therein with respect to the proceedings specified therein, and has, to the fullest extent permitted by applicable law, validly and irrevocably waived any objection to the laying of venue of such proceedings in any such court, and has validly and irrevocably appointed [•] as its authorised agent for the purpose described in such section, and service of process effected in the manner set forth in Section [•] of the Purchase Agreement and Section [•] of the Indenture will be effective to confer valid personal jurisdiction over the Issuer and each Subsidiary Guarantor in such proceedings.
- 5 In connection with our opinion set forth in paragraph 4.4 above, we have relied to the extent we believe is appropriate upon the representations, warranties, agreements and undertakings of the Issuer, the Subsidiary Guarantors and the Initial Purchasers in the Purchase Agreement with respect to other securities transactions of the Issuer, the absence of any form of general solicitation or general advertising in the United States in connection with the offering of the Notes and the Guarantees, the absence of any directed selling efforts (as defined in Regulation S under the Securities Act), and certain other matters.
- 6 In connection with our opinion in paragraph 4.9 above, we note that the designation in Section [•] of the Purchase Agreement and Section [•] of the Indenture of the United States federal courts set forth therein as venues for proceedings relating to the Purchase Agreement, the Notes, the Guarantees and the Indenture are subject to the power of United States federal courts to transfer proceedings pursuant to Section 1404(a) of Title 28 of the United States Code or to dismiss such proceedings on the grounds that such United States federal court is an inconvenient forum for such actions. We express no opinion as to the subject matter jurisdiction of any United States federal court to adjudicate any action where jurisdiction based on diversity of citizenship under Section 1332 of Title 28 of the United States Code does not exist.

- 7 *U.S. Internal Revenue Service Circular 230 Disclosure: Any U.S. tax advice contained herein is not intended or written by us to be used, and it cannot be used by any person, for the purpose of avoiding U.S. tax penalties that may be imposed on any person. Any such U.S. tax advice was written to support the promotion or marketing of the transaction(s) or matter(s) addressed by it. Each person should seek U.S. tax advice based on the person's particular circumstances from an independent tax adviser.*
- 8 This opinion is addressed to you solely for your benefit in connection with the offer and sale of the Notes and the Guarantees. It is not to be transmitted to anyone else nor is it to be relied upon by anyone else or for any other purpose or quoted or referred to in any public document or filed with anyone without our express consent. This opinion may however be disclosed by the addressees hereof to the extent required by law, regulation or any governmental or competent regulatory authority or court proceedings relating to the offer and sale of the Notes and the Guarantees, provided that no such party to whom the opinion is disclosed may rely on the opinion without our express consent.

Yours faithfully

Linklaters

**Linklaters U.S. Opinion (2)**

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
 4 World Financial Center  
 New York, New York 10080  
 United States  
 ("Merrill Lynch")

Credit Suisse Securities (USA) LLC  
 Eleven Madison Avenue  
 New York, NY 10010  
 United States  
 ("Credit Suisse", and together with Merrill Lynch,  
 the "Initial Purchasers")

July [•], 2008

Dear Sirs

**Sino-Forest Corporation (the "Issuer")**

**[•] % Convertible Senior Notes due 2013 (the "Notes")**

**Guaranteed by Sino-Panel Holdings Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), SFR (China) Inc. (BVI), Sino-Wood Partners, Limited (H.K.), Sino-Forest Resources Inc. (BVI), Suri-Wood Inc. (BVI), Sino-Plantation Limited (H.K.), Sino-Wood (Guangxi) Limited (H.K.), Sino-Wood (Jiangxi) Limited (H.K.), Sino-Global Holdings Inc. (BVI), Sinowin Investments Limited (BVI), Sino-Wood (Guangdong) Limited (H.K.), Sino-Panel (North East China) Limited (BVI), Sino-Panel [Hunan] Limited (BVI), Sino-Panel [Xiangxi] Limited (BVI), Sino-Forest Bio-Science Limited (BVI) (formerly known as Sino-Two Limited), Sino-Panel (Guangzhou) Limited (BVI), Sino-Panel [Suzhou] Limited (BVI), Sino-Panel (Yunnan) Limited (BVI), Sino-Panel (Guangxi) Limited (BVI), Sino-Panel (Guizhou) Limited (BVI), Sino-Panel (Qinzhou) Limited (BVI), Sino-Panel (Shaoyang) Limited (BVI), Sino-Panel (Yongzhou) Limited (BVI), and Sino-Panel (Fujian) Limited (BVI) (the "Subsidiary Guarantors")**  
**Convertible into common shares, no par value (the "Common Shares"), of the Issuer**



We have acted as special United States counsel to the Issuer and the Subsidiary Guarantors in relation to the preparation of the Final Offering Memorandum dated July [•], 2008 (the "Final Offering Memorandum") used in connection with the offer and sale of the Notes, guaranteed as to payment of principal and interest by the Subsidiary Guarantors (the "Guarantees"). The Preliminary Offering Memorandum dated July [•], 2008, together with the final pricing term sheet, dated July [•], 2008 and attached as Schedule B (the "Pricing Supplement") to the Purchase Agreement dated July [•], 2008 by and between you, the Issuer and the Subsidiary Guarantors (the "Purchase Agreement"), is referred to herein as the "Disclosure Package".

In our capacity as such counsel, we have, along with representatives of the Issuer and the Subsidiary Guarantors, the Company's independent accountants, and their PRC, British Virgin Islands, Hong Kong and English counsel, and representatives of the Initial Purchasers, and their United States and PRC counsel, participated in discussions concerning the contents of the Disclosure Package and the Final Offering Memorandum and related matters, reviewed the contents of the Disclosure Package and the Final Offering Memorandum and carried out such further enquiries and procedures as we have deemed necessary or appropriate in the circumstances.

On the basis of the information that we gained in the performance of the work referred to above, considered in the light of our understanding of the applicable United States federal securities laws and the experience we have gained through our practice in this field, we confirm to you that nothing that has come to our attention in the course of our acting in our capacity as such counsel has caused us to believe that the Disclosure Package, at the Applicable Time (as defined in the Purchase Agreement), and the Final Offering Memorandum, at its date and at the time and date of delivery of this letter, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The limitations inherent in the independent verification of factual matters and the character of determinations involved in the preparation of disclosure documents are such, however, that we do not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Disclosure Package or the Final Offering Memorandum except as provided in paragraph 4.6 of our opinion with respect to certain matters of U.S. law addressed to you and dated the date hereof. With your agreement, we express no opinion or belief as to the financial statements or as to any of the financial data contained in the Disclosure Package and the Final Offering Memorandum.

This letter is addressed to you solely for your benefit. It is not to be relied upon by anyone else for any purpose without our express consent.

Yours faithfully

Linklaters

A-2-7

**Linklaters Hong Kong Opinion**

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
4 World Financial Center  
New York, New York 10080  
United States of America

Credit Suisse Securities (USA) LLC  
[address]

Dear Sir

**SINO-FOREST CORPORATION**

- 1** We understand that this opinion letter is to be delivered to the Initial Purchasers (as defined below) pursuant to section [5(a)] of the Purchase Agreement between Sino-Forest Corporation (the "Company"), the subsidiary guarantors named therein (the "Subsidiary Guarantors") and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC (collectively the "Initial Purchasers") dated [●] July 2008 (the "Purchase Agreement"). Our engagement as Hong Kong counsel to the Company in connection with the issue of US\$300,000,000 5.0% Convertible Senior Notes due 2013 is in respect of the issue of this opinion letter only. For the purpose of this opinion letter, the "Hong Kong Subsidiary Guarantors" means Sino-Wood Partners, Limited, Sino-Plantation Limited, Sino-Wood (Guangxi) Limited, Sino-Wood (Jiangxi) Limited and Sino-Wood (Guangdong) Limited.
- 2** This opinion letter is limited to the laws of the Hong Kong Special Administrative Region ("Hong Kong" or the "HKSAR") of the People's Republic of China (the "PRC") in force at the date of this opinion letter and is given on the basis that it will be governed by and construed in accordance with Hong Kong law. We express no opinion on any law other than Hong Kong law. We have not made any investigation or enquiry other than as stated in paragraph 3. Our opinion is limited to the matters specifically and expressly stated in paragraph 5. All references to the date of this opinion letter shall be construed in accordance with Hong Kong time.

3 We have examined the following for the purpose of rendering this opinion:

- (a) an executed copy of the Purchase Agreement;
- (b) an executed copy of the indenture dated [23 July] 2008 between the Company, the Subsidiary Guarantors and The Bank of New York Mellon in its capacity as trustee (together with the Purchase Agreement, the "Relevant Agreements");
- (c) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiary Guarantors on [21] July 2008 at the Hong Kong Business Registration Office (the "Business Registration Search");
- (d) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiary Guarantors on [21] July 2008 at the Hong Kong Companies Registry (the "Company Search");
- (e) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiary Guarantors on [21] July 2008 at the Official Receiver's office of Hong Kong (the "Official Receiver Search");
- (f) the results disclosed by the search made by Target On-Line Financial Ltd. ("Tolfin") in respect of each of the Hong Kong Subsidiary Guarantors on [21] July 2008 against the Cause Book of the Registry of the High Court of Hong Kong and the Cause Book of the Registry of the District Court of Hong Kong (the "Cause Book Enquiry");
- (g) the following documents provided to us by or on behalf of the Company:
  - (i) the board resolutions dated [18] July 2008 of Sino-Wood Partners, Limited;
  - (ii) the board resolutions dated [18] July 2008 of Sino-Plantation Limited;
  - (iii) the board resolutions dated [18] July 2008 of Sino-Wood (Guangxi) Limited;
  - (iv) the board resolutions dated [18] July 2008 of Sino-Wood (Jiangxi) Limited;
  - (v) the board resolutions dated [18] July 2008 of Sino-Wood (Guangdong) Limited;
  - (vi) the shareholder resolutions dated [18] July 2008 of Sino-Wood Partners, Limited;
  - (vii) the shareholder resolutions dated [18] July 2008 of Sino-Plantation Limited;
  - (viii) the shareholder resolutions dated [18] July 2008 of Sino-Wood (Guangxi) Limited;
  - (ix) the shareholder resolutions dated [18] July 2008 of Sino-Wood (Jiangxi) Limited;
  - (x) the shareholder resolutions dated [18] July 2008 of Sino-Wood (Guangdong) Limited,(the documents set out in (i) to (x), together, the "Resolutions"); and
  - (xi) a consent summons dated 21 February 2000 in respect of HCA5439/1998 approved and ordered in terms by a Master of the High Court of the Hong Kong

SAR for the discontinuance of the action (the "HCA5439/1998 Consent Summons").

- 4 For the purpose of this opinion letter, we have assumed without further inquiry that:
- (a) the information disclosed by the Business Registration Search is true and complete as at [21] July 2008 and has not since then been altered and that the Business Registration Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Hong Kong Business Registration Office of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiary Guarantors;
  - (b) the information disclosed by the Company Search is true and complete as at [21] July 2008 and has not since then been altered and that the Company Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Hong Kong Companies Registry of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiary Guarantors;
  - (c) the information disclosed by the Official Receiver Search is true and complete as at [21] July 2008 and has not since then been altered and that the Official Receiver Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Official Receiver's office of Hong Kong of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiary Guarantors;
  - (d) the information disclosed by the Cause Book Enquiry described in paragraph 3(f) above is true and complete as at [21] July 2008 and has not since then been altered and the Cause Book Enquiry did not fail to disclose any proceeding or action or other information which had been issued or published by the High Court or any District Court or any office or department or other part of the Government of Hong Kong (or which appeared on the Cause Book of the Registry of the High Court of Hong Kong or the Cause Book of the Registry of the District Courts of Hong Kong) at the time of either enquiry; the information disclosed by the Cause Book Enquiry included all details of the subject matter, jurisdiction, parties, status and all other facts and circumstances of the proceedings and other disputes so disclosed; it should be noted that there can be a delay between the issue or publication of information and the appearance of that information on the Cause Book of the Registry of the High Court of Hong Kong or the Cause Book of the Registry of the District Courts of Hong Kong;
  - (e) the HCA5439/1998 Consent Summons is in form and substance identical to the document referred to in the Appendix to this letter;

- (f) the Relevant Agreements (including their execution, delivery and performance) are within the capacity, authority and powers of each party thereto (other than the Hong Kong Subsidiary Guarantors), and each of the Relevant Agreements has been validly authorised, executed and delivered by each party (other than the Hong Kong Subsidiary Guarantors); the execution, delivery and performance of each of the Relevant Agreements by any person who is a party to such Relevant Agreement and the consummation of the transactions contemplated therein will not (A) conflict with or result in a breach of any term or provision of any other agreement to which such person is a party; or (B) result in any violation of the memorandum and articles of association or any other constitution document of such person (other than the Hong Kong Subsidiary Guarantors) or (C) be illegal, ineffective or result in any violation of any provision of any law of any jurisdiction (other than Hong Kong in respect of the Hong Kong Subsidiary Guarantors);
- (g) each of the Relevant Agreements has the same meaning and effect under the law by which it is expressed to be governed as it would if it were governed by and interpreted in accordance with Hong Kong law by a Hong Kong court and nothing in the governing law of the Relevant Agreements which would affect this opinion letter;
- (h) the obligations of each of the Hong Kong Subsidiary Guarantors under each of the Relevant Agreements have been given in good faith by the relevant Hong Kong Subsidiary Guarantor and the execution, delivery and performance of each of the Relevant Agreements have been authorised and approved in good faith and in accordance with fiduciary duties by the board of directors[/members] of the relevant Hong Kong Subsidiary Guarantor and in furtherance of the objects and for the purpose of carrying on the business of the relevant Hong Kong Subsidiary Guarantor and that, when they were given, the relevant Hong Kong Subsidiary Guarantor and its board of directors[/members] had reasonable grounds for believing that giving the guarantee would benefit the relevant Hong Kong Subsidiary Guarantor; and all necessary corporate action in connection with the execution, delivery and performance of each of the Relevant Agreements has been taken on the part of the relevant Hong Kong Subsidiary Guarantor;
- (i) the Resolutions were validly passed and remain in full force and effect without modification;
- (j) all agreements, corporate records and other documents provided to us expressed to be signed, sealed, delivered and/or issued have been duly signed, sealed, delivered and/or issued; each signature, seal or chop is the genuine signature, seal or chop respectively of the individual or the company concerned, and the identity and legal capacity of all signatories and corporate officers are correct;
- (k) all persons signing, sealing, delivering and/or issuing the agreements, corporate records and other documents provided to us had due power and authority to do so and had taken all necessary corporate and other action to sign, seal, deliver and/or issue such certificates, agreements, corporate records and documents; in particular, the Relevant Agreements have

been executed on behalf of the Hong Kong Subsidiary Guarantors by the person(s) authorised by the Resolutions;

- (l) each of the members of the board of directors of each of the Hong Kong Subsidiary Guarantors has been duly appointed in accordance with the memorandum and articles of association and regulations (if any) of the relevant Hong Kong Subsidiary Guarantor and all relevant laws and regulatory requirements and each such appointment has remained valid and effective;
- (m) all agreements, corporate records and other documents provided to us are authentic, accurate and complete, whether as originals or copies; and that, in particular, all agreements, corporate records and other documents presented as copies are accurate and complete as at the date of this opinion letter and in conformity with their respective originals;
- (n) there has been no general meeting of and no board meeting of any of the Hong Kong Subsidiary Guarantors and no written resolution by the members or the directors of any of the Hong Kong Subsidiary Guarantors in which the members or the directors of such Hong Kong Subsidiary/Subsidiaries have passed a resolution or resolutions and the record of which has not been brought specifically to our attention in writing and/or not delivered to the Hong Kong Companies Registry for registration;
- (o) the accuracy, currency and completeness of all statements and information contained in all agreements, corporate records and other documents examined by us; and
- (p) there has been no change in the circumstances or prospects of the Company or any member of its group of companies (including the Hong Kong Subsidiary Guarantors) which is material to the statements herein which has not been brought specifically to our attention in writing.

5 Based on and subject to and relying on the foregoing and the qualifications and reservations in paragraph 6, we are of the following opinion:

- (a) Each of the Hong Kong Subsidiary Guarantors is duly incorporated in Hong Kong under the Companies Ordinance and is validly existing as a limited liability company under the laws of Hong Kong.
- (b) The Company Search revealed no order or resolution for the winding-up of any of the Hong Kong Subsidiary Guarantors and no notice of appointment of a receiver; however, such search is not capable of revealing a winding-up order or resolution made, or an appointment of a receiver, immediately prior to the conduct of the Company Search.
- (c) The Official Receiver Search revealed that no petition for the winding-up of any of the Hong Kong Subsidiary Guarantors had been presented; however, a winding-up petition may be presented but not filed at the Official Receiver's Office immediately upon such presentation.

- (d) Other than the matters disclosed by the Cause Book Enquiry set out in the Appendix to this letter, the Cause Book Enquiry revealed (i) no proceeding before the High Court of Hong Kong against any of the Group Companies and (ii) no action before the District Court of Hong Kong against any of the Group Companies; however, such an enquiry is not capable of revealing any proceeding or action commenced immediately prior to the making of the Cause Book Enquiry. Based solely on the results of the Cause Book Enquiry and the HCA5439/1998 Consent Summons, the action in HCA5439/1998 has been discontinued pursuant to the HCA5439/1998 Consent Summons.
- (e) Each of the Hong Kong Subsidiary Guarantors has the corporate power and authority, in compliance with its memorandum and articles of association, to execute, deliver and perform, and has taken all necessary corporate action to authorise the execution, delivery and performance by it of, each of the Relevant Agreements to which the relevant Hong Kong Subsidiary Guarantor is a party.
- (f) Under Hong Kong law, there is no governmental or regulatory consent, approval or authorisation required by any of the Hong Kong Subsidiary Guarantors for the relevant Hong Kong Subsidiary Guarantor's execution, delivery and performance of each of the Relevant Agreements to which the relevant Hong Kong Subsidiary Guarantor is a party.
- (g) Under Hong Kong law, there is no registration, filing or similar formalities required to ensure the validity, binding effect and enforceability against any of the Hong Kong Subsidiary Guarantors of each of the Relevant Agreements to which the relevant Hong Kong Subsidiary Guarantor is a party, except as referred to in paragraph 6.
- (h) Under Hong Kong law, the choice of New York law as the governing law of the Relevant Agreements will be recognised by the Hong Kong courts.

## 6 Qualifications

This opinion is subject to the following qualifications:

- (a) This opinion is subject to limitations arising from bankruptcy, insolvency, liquidation, moratorium, reorganisation and other laws of general application relating to or affecting the rights of creditors.
- (b) The enforcement in Hong Kong of the Relevant Agreements will be subject to Hong Kong rules of civil procedure.
- (c) In Hong Kong, remedies such as specific performance and injunction may not be available.
- (d) A Hong Kong court may not give effect to any provision in any of the Relevant Agreements in respect of the costs of litigation brought before a Hong Kong court.
- (e) A certificate, determination, notification, opinion or the like might be held by the Hong Kong courts not to be conclusive, final or binding if it could be shown to have an unreasonable or arbitrary basis or in the event of manifest error despite any provision in any of the Relevant Agreements to the contrary.

- (f) Claims may become barred under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong).
- (g) Where obligations are to be performed in a jurisdiction outside Hong Kong, they may not be enforceable in Hong Kong to the extent that performance would be illegal under the laws of that jurisdiction.
- (h) Any term of any of the Relevant Agreements may be amended or terminated orally or in writing by or by course of conduct of the parties, despite any provision in the Relevant Agreements to the contrary.
- (i) Any provision of any Relevant Agreement which constitutes, or purports to constitute, a restriction on the exercise of any statutory power may be ineffective.
- (j) Default interest or amounts in the nature of default interest provided under any of the Relevant Agreements may not be recoverable if it amounts to a penalty under Hong Kong law.
- (k) An agreement to negotiate is unenforceable.
- (l) Any provision in respect of partial illegality, invalidity or unenforceability in any of the Relevant Agreements may not be effective - it depends in part on the nature of the illegality, invalidity or unenforceability in question and whether it would accord with public policy or would involve the court in making a new contract for the parties.
- (m) Our opinion that each of the Hong Kong Subsidiary Guarantors is existing is based on the Companies Search. It should be noted that the Companies Search is not capable of revealing conclusively whether or not a winding-up petition or order has been presented or made, a receiver appointed or any other insolvency proceeding commenced.
- (n) We do not express any opinion as to any taxation matters.
- (o) Subject to the Foreign Judgments (Restrictions on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong) (the "Cap. 46 Ordinance"), a judgment obtained in the New York courts against a Hong Kong company would be entitled to recognition and may be relied upon in proceedings in Hong Kong if:
  - (i) it is for a definite sum of money (and not relating to taxes or penalties);
  - (ii) it is final and conclusive between the parties;
  - (iii) the foreign court had jurisdiction to grant the judgment according to Hong Kong conflict of law rules;
  - (iv) the foreign judgment was not obtained by fraud or obtained in proceedings which contravene the rules of natural justice; and
  - (v) enforcement of the judgment would not be contrary to public policy in Hong Kong.



- (p) The choice of New York law to govern each of the Relevant Agreements would not be recognised or upheld by the Hong Kong courts if its application contravenes Hong Kong law or would be manifestly incompatible with public policy. The choice of New York law to govern each of the Relevant Agreements would not be upheld, for example, if it was made with the intention of evading the law of a jurisdiction with which the relevant agreement had its most substantial connection and which, in the absence of New York law, would have invalidated the agreement or been inconsistent therewith.
- (q) By virtue of the Cap. 46 Ordinance, a New York judgment cannot be enforced or recognised in Hong Kong if the bringing of the proceedings in the New York courts was contrary to an agreement under which the dispute was to be settled otherwise than by proceedings in those courts, except where:
- (i) the person against whom judgment was given brought or agreed to the bringing of those proceedings in that court, counterclaimed in the proceedings or otherwise submitted to the jurisdiction of that court within the meaning of the Cap. 46 Ordinance; or
  - (ii) such agreement was illegal, void or enforcement or was incapable of being performed for reasons not attributable to the fault of the plaintiff in the proceedings in which the judgment was given.
- (r) The term "enforce", "enforceable" and "enforcement" as used above or below mean that the obligations assumed by the relevant party are of a type which may be enforced by the Hong Kong courts. It does not mean that those obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular:
- (i) Enforcement may be limited by bankruptcy, insolvency, liquidation, reorganisation and other laws of general application relating to or affecting the rights of creditors. Claims may become barred under the Limitation Ordinance or may be or become subject to set-off or counterclaim.
  - (ii) An undertaking or indemnity may not be enforceable insofar as it purports to require payment or reimbursement of the costs of any unsuccessful litigation.
  - (iii) Enforcement may be limited by general principles of equity. We express no opinion as to whether the equitable remedies of specific performance or injunctive relief would be available in respect of any obligation of any party to the Relevant Agreements. The availability of certain equitable remedies, such as injunction and specific performance, will be at the discretion of the court and the court might make an award of damages where specific performance of an obligation or some other equitable remedy is sought, notwithstanding any agreement of the parties to the contrary. This opinion is not to be taken to imply that the Hong Kong courts will necessarily grant any remedy, the availability of which is subject to general principles of equity or which is otherwise in the discretion of the Hong Kong courts.

- (iv) Where any obligation of any of the Hong Kong Subsidiary Guarantors under any of the Relevant Agreements is to be performed in any jurisdiction other than Hong Kong, it may not be enforceable in Hong Kong to the extent that such performance would be illegal, invalid, non-binding, unenforceable or contrary to public policy under the laws of such jurisdiction.
- (v) To the extent that any fee or expense is expressed to be in an amount to be agreed, or any other matter is expressed to be determined by agreement, between the respective parties to each of the Relevant Agreements, the relevant provision may be unenforceable for uncertainty in default of agreement, (although, in default of agreement of any fee or expense, a claim may be made on a quantum meruit basis in quasi-contract for reasonable remuneration in respect of services rendered).
- (vi) We express no opinion as to any provision prohibiting or restricting modification, amendment or waiver, insofar as it suggests that oral or any other modification, amendment or waiver could not effectively be agreed upon or granted between the parties.
- (vii) Where a party to any of the Relevant Agreements is vested with a discretion or may determine a matter in its opinion, Hong Kong law may require that such discretion is exercised reasonably or that such opinion is based upon reasonable grounds. Any provision that certain calculations or certificates or factual determinations will be conclusive and binding, will not be effective if such calculations or certificates or factual determinations (as the case may be) are shown to be incorrect, unreasonable or arbitrary or not to have been given or made in good faith, and will not necessarily prevent judicial or regulatory inquiry into the merits of any claim by an aggrieved party.
- (viii) Hong Kong courts will not enforce any foreign judgment which provides for the payment of multiple or penalty damages or which is otherwise regarded as being contrary to public policy in Hong Kong.
- (ix) Hong Kong courts can give judgments in currencies other than Hong Kong dollars if, subject to the terms of the relevant contract, it is the currency which most validly expresses the plaintiff's loss.
- (x) The enforcement of the obligations of parties may be limited by the provisions of Hong Kong law applicable to agreements held to have been frustrated by events happening after their execution.
- (xi) Hong Kong courts may refuse to give effect to any provision of any of the Relevant Agreements (A) for the payment of expenses in respect of the costs of enforcement (actual or contemplated) or where the court has itself made an order for costs or (B) which would involve the enforcement of foreign revenue or penal laws or (C) which would be inconsistent with Hong Kong public policy.

- (xii) In some circumstances, a Hong Kong court would not give effect to any provision of any of the Relevant Agreements which provides that in the event of any invalidity, illegality or unenforceability of any provision of any such document the remaining provisions thereof shall not be affected or impaired, in particular if to do so would not accord with public policy or would involve the court in making a new contract for the parties.
  - (xiii) Failure to exercise a right may operate as a waiver of that right notwithstanding any provision which purports to provide to the contrary and failure to exercise a right of action within the relevant limitation period will operate as a bar to the exercise of such right.
  - (xiv) We express no opinion on the circumstances in which the Hong Kong courts would exercise their jurisdiction in connection with a dispute under or in connection with any of the Relevant Agreements, although we note that both (a) the incorporation in a place outside Hong Kong of a party and (b) the governing law of the agreement under which the claim is made, are ordinarily relevant factors considered by the Hong Kong courts in deciding whether to exercise jurisdiction in respect of such claim.
- (s) On 1 July 1997, Hong Kong became the Hong Kong Special Administrative Region of the PRC. On 4 April 1990, the National People's Congress (the "NPC") of the PRC adopted the Basic Law of the HKSAR (the "Basic Law"). Under Article 8 of the Basic Law, the laws of Hong Kong in force at 30 June 1997 (that is, the common law, rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law and subject to any amendment by the legislature of the HKSAR. Under Article 160 of the Basic Law, the laws of Hong Kong in force at 30 June 1997 shall be adopted as laws of the HKSAR unless they are declared by the Standing Committee of the NPC (the "Standing Committee") to be in contravention of the Basic Law and, if any laws are later discovered to be in contravention of the Basic Law, they shall be amended or cease to have force in accordance with the procedure prescribed by the Basic Law.
- (t) On 23 February 1997, the Standing Committee adopted a decision (the "Decision") on the treatment of laws previously in force in Hong Kong. Under paragraph 1 of the Decision, the Standing Committee decided (as translated by us) that "the laws previously in force in Hong Kong, which include the common law, rules of equity, ordinances, subsidiary legislation and customary law, except for those which contravene the Basic Law, are to be adopted as the laws of the HKSAR". Under paragraph 2 of the Decision, the Standing Committee decided that the ordinances and subsidiary legislation set out in Annex 1 to the Decision "which are in contravention of the Basic Law" are not to be adopted as the laws of the HKSAR. One of the ordinances set out in that Annex is the Application of English Law Ordinance (Chapter 88 of the Law of Hong Kong) (the "English Law Ordinance"). The English Law Ordinance applied the common law and rules of equity of England to Hong

Kong. We have assumed in giving this opinion letter that the effect of paragraph 2 of the Decision, insofar as it relates to the English Law Ordinance, is to repeal the English Law Ordinance prospectively and that the common law and rules of equity of England which applied in Hong Kong on 30 June 1997 continue to apply, subject to their subsequent independent development which will rest primarily with the courts of the HKSAR which are empowered by the Basic Law to refer to precedents of other common law jurisdictions when adjudicating cases.

- 7 This letter is addressed to you solely for your benefit for the purpose of section [5(a)] of the Purchase Agreement. It may not be transmitted to anyone else and cannot be relied upon by anyone else or to or by any one for any other purpose or quoted or referred to in any other document or filed with anyone and neither its contents nor its existence may be disclosed without our prior written consent, save that reference may be made to it in the Purchase Agreement and in any list of closing documents pertaining to the issue of the US\$300,000,000 5.0% Convertible Senior Notes due 2013 pursuant to the Purchase Agreement.

Yours faithfully

Linklaters

[Attachment - Appendix]

**Linklaters English Opinion**

Merrill Lynch, Pierce, Fenner & Smith  
 Incorporated  
 4 World Financial Center  
 New York, New York 10080  
 ("Merrill Lynch")

[Credit Suisse]  
 [ADDRESS]  
 ("Credit Suisse", and together with Merrill  
 Lynch, the "Initial Purchasers")

[●] July 2008

Dear Sirs

Sino-Forest Corporation (the "Issuer")  
 [●] % Convertible Senior Notes due 20[●] (the "Notes")  
 Guaranteed by [LIST TO COME] (the "Subsidiary Guarantors")  
 Convertible into common shares, no par value (the "Common Shares"), of the Issuer

## 1 Introduction

We have acted as English legal advisers to the Issuer and the Subsidiary Guarantors in connection with the execution by you, the Issuer and the Subsidiary Guarantors of the Purchase Agreement dated [●] July 2008 (the "Purchase Agreement") relating to the offer and sale of the Notes, guaranteed as to payment of principal and interest by the Subsidiary Guarantors (the "Guarantees"). The Notes and the Guarantees are being issued pursuant to the Indenture dated as of [●] July 2008 (the "Indenture"), between the Issuer, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee.

## 2 English Law

This opinion is limited to English law as applied by the English courts and published and in effect on the date of this opinion. It is given on the basis that all matters relating to it will be governed by, and that it (including all terms used in it) will be construed in accordance with, English law.

## 3 Scope of Inquiry

For the purpose of this opinion, we have examined the following documents:

- 3.1 An executed copy of the US\$150,000,000 term loan facility agreement dated 24 February 2006 between the Issuer as borrower, the original subsidiary guarantors, the mandated lead arrangers and the original lenders named in it and Barclays Bank PLC as agent (the "Barclays Facility Agreement").
- 3.2 The final forms of the Purchase Agreement, the Indenture, the Notes and the Guarantees (together the "Notes Documents").

#### 4 Assumptions

For the purpose of this opinion, we have made the following assumptions:

- 4.1 All copy documents conform to the originals and all originals are genuine and complete.
- 4.2 The Notes Documents conform to the forms examined by us.
- 4.3 There are no dealings between the parties that affect the Agreement and the Notes Documents.
- 4.4 Clause 20.2 (*Financial condition*) of the Barclays Facility Agreement will be complied with following the issue of the Notes by the Issuer.
- 4.5 The Notes Documents have the same meaning and effect under the laws of the State of New York as they would have if they were interpreted under English law by an English court and there are no provisions of the laws of the State of New York which would affect this opinion.
- 4.6 The Repeating Representations, as if made by the Issuer and the Subsidiary Guarantors on the date of this opinion and on the date of the Notes Documents, are or will be true and correct.
- 4.7 Except with respect to matters referred to in paragraph 5, the Issuer and the Subsidiary Guarantors are in compliance with their respective obligations under the Finance Documents.

#### 5 Opinion

Based on the documents referred to and assumptions in paragraphs 3 and 4 and subject to the qualifications in paragraph 6 and to any matters not disclosed to us, the execution and delivery by the Issuer and any Subsidiary Guarantor of the Notes Documents and the performance by the Issuer and any Subsidiary Guarantor of its respective obligations thereunder, do not in each case constitute a contravention by the Issuer or any Subsidiary Guarantor on the date of this opinion of its obligations under:

- 5.1 Clause 21.12 (*Indebtedness*) of the Barclays Facility Agreement as it relates to (i) the Issuer incurring Indebtedness under the Notes and (ii) the Subsidiary Guarantors issuing guarantees in respect of the Notes provided that the Fixed Charge Coverage Ratio would be not less than 3:1 upon incurrence of Indebtedness by the Issuer under the Notes and each guarantee in respect of the Notes granted by a Subsidiary Guarantor ranks pari passu with each Subsidiary Guarantee (as defined in the Barclays Facility Agreement and as defined in the Note Instrument) granted by that Subsidiary Guarantor;

- 5.2 Clause 21.14 (*Restricted Payments*) of the Barclays Facility Agreement as it relates to (i) the ability of the Issuer to purchase any of its shares from its shareholders for the purpose of delivering shares to satisfy the obligations of the Issuer with respect to conversion of the Notes and (ii) the ability of the Issuer to undertake a buyback or redemption of the Notes provided that any of the transactions mentioned in this paragraph 5.2 are carried out in accordance with and are not otherwise restricted by the provisions in Schedule 14 (*Restricted Payments*) of the Barclays Facility Agreement; and
- 5.3 Clause 7.2 (*Change of Control*) and Clause 22.14 (*Change of Control*) of the Barclays Facility Agreement as they relate to the obligations of the Issuer to prepay in full the facility provided under the Barclays Facility Agreement provided that any conversion, share buyback, purchase or delivery of shares pursuant to or in connection with the Notes Documents will not lead to a Change of Control Triggering Event.

## 6 Qualifications

This opinion is subject to the following qualifications:

- 6.1 This opinion is subject to any limitations arising from bankruptcy, insolvency, liquidation, moratorium, reorganisation and other laws of general application relating to or affecting the rights of creditors.
- 6.2 We do not express any opinion as to any taxation matters.
- 6.3 The opinions expressed herein derive from a review of the documents referred to in paragraph 3 only and we have not sought any input from the Issuer, the Subsidiary Guarantors or any other person or carried out any independent verification in relation to the matters referred to herein. Further, we do not express any opinion on any matter relating to any question of fact and we have not carried out any investigation or review with respect to questions of fact relating to the matters discussed in this opinion.

## 7 Reliance

This opinion is addressed to you solely for your benefit in connection with the offer and sale of the Notes and the Guarantees. It is not to be transmitted to anyone else nor is it to be relied upon by anyone else or for any other purpose or quoted or referred to in any public document or filed with anyone without our express consent. This opinion may however be disclosed by the addressees hereof to the extent required by law, regulation or any governmental or competent regulatory authority or court proceedings relating to the offer and sale of the Notes and the Guarantees, provided that no such party to whom the opinion is disclosed may rely on the opinion without our express consent.

Yours faithfully

Linklaters

Exhibit A-3

FORM OF OPINION OF APPLEBY  
BRITISH VIRGIN ISLANDS COUNSEL  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

[ ] 2008

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
4 World Financial Center  
New York  
New York 10080

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States

Dear Sirs,

Re: **SFR (China) INC., Sino-Forest Bio-Science Limited, Sino-Forest Resources Inc., Sino-Global Holdings Inc., Sino-Panel (Asia) Inc., Sino-Panel (Fujian) Limited, Sino-Panel (Gaoyao) Limited, Sino-Panel (Guangxi) Limited, Sino-Panel (Guangzhou) Limited, Sino-Panel (Guizhou) Limited, Sino-Panel Holdings Limited, Sino-Panel [Hunan] Limited, Sino-Panel (North East China) Limited, Sino-Panel (Qinzhou) Limited, Sino-Panel (Shaoyang) Limited, Sino-Panel [Suzhou] Limited, Sino-Panel [Xiangxi] Limited, Sino-Panel (Yunnan) Limited, Sino-Panel (Yongzhou) Limited, Sinowin Investments Limited, Suri-Wood Inc.**  
(together the "BVI Subsidiary Guarantors" and each a "BVI Subsidiary Guarantor")

This opinion as to the laws of British Virgin Islands is addressed to you in connection with:

- (a) a purchase agreement dated [ ] 2008 (the "Purchase Agreement"), amongst the subsidiary guarantors named therein including the BVI Subsidiary Guarantors (the "Subsidiary Guarantors"), Sino-Forest Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse (USA) LLC (the "Initial Purchasers"); and

A-3-1



- (b) an indenture dated [ ] 2008 (the "Indenture"), amongst Sino-Forest Corporation, [ ] (as trustee), and the Subsidiary Guarantors (including the Subsidiary Guarantees granted by each BVI Subsidiary Guarantor).

(the Purchase Agreement and the Indenture are collectively referred to as the "Subject Agreements").

For the purposes of this opinion we have examined and relied upon the following:

1. The public records of each BVI Subsidiary Guarantor on file and available for inspection at the Registry of Corporate Affairs, Road Town, Tortola, British Virgin Islands, as revealed by a search on [ ] 2008 (the "Company Search").

[NB: It is possible that we will not be in receipt of the 21 searches at the same date. If this is the case, then we will separate the paragraphs for each company. Same position for the litigation search referred to below]

2. The records of proceedings on file with, and available for inspection at the High Court of Justice, Road Town, Tortola, British Virgin Islands, as revealed by a search on [DATE] in respect of each BVI Subsidiary Guarantor (the "Litigation Search").
3. Copies of the Memorandum and Articles of Association and Certificate of Incorporation of each BVI Subsidiary Guarantor, obtained from [the Registered Agent of each BVI Subsidiary Guarantor]/[Registry of Corporate Affairs] on [DATE] (collectively referred to as the "Constitutional Documents").
4. [Certified] copy of the written resolutions of the Directors and the Shareholders of each of the BVI Subsidiary Guarantors dated [ ] 2008 (the "Resolutions").
5. [[Certified] copy of the Register of Directors in respect of each BVI Subsidiary Guarantor/A Certificate of Incumbency issued by each BVI Subsidiary Guarantor's Registered Agent in respect of each BVI Subsidiary Guarantor.]
6. [[Certified] copy of the Register of Members in respect of each BVI Subsidiary Guarantor.]
7. [A Certificate of Good Standing, dated [DATE] issued by the Registrar of Corporate Affairs in respect of each BVI Subsidiary Guarantor.]
8. a [certified] copy of the executed Subject Agreements.

9. a copy of the Final Offering Memorandum dated [ ] (the "Offering Memorandum").
10. a copy of a Certificate issued by a director of each of the BVI Subsidiary Guarantors dated [ ] 2008 confirming certain matters of fact (the "Directors' Certificates").

(collectively hereinafter referred to as the "Documents").

Unless otherwise defined herein, capitalised terms have the meanings assigned to them in the Offering Memorandum.

#### Assumptions

In stating our opinion we have assumed:

- (a) the authenticity, accuracy and completeness of all Documents and other documentation examined by us submitted to us as originals and the conformity to authentic original documents of all Documents and other such documentation submitted to us as certified, conformed, notarised, faxed or photostatic copies;
- (b) that each of the Documents and other such documentation which was received by electronic means is complete, intact and in conformity with the transmission as sent;
- (c) the genuineness of all signatures and seals on the Documents;
- (d) the authority, capacity and power of each of the persons signing the Documents (other than each BVI Subsidiary Guarantor in respect of the Subject Agreements);
- (e) that any representation, warranty or statement of fact or law, other than as to the laws of the British Virgin Islands, made in any of the Documents is true, accurate and complete;
- (f) that the Subject Agreements constitute the legal, valid and binding obligations of each of the parties thereto, other than each BVI Subsidiary Guarantor, under the laws of its jurisdiction of incorporation or its jurisdiction of formation;
- (g) that the Subject Agreements have been validly authorised, executed and delivered by each of the parties thereto, other than each BVI Subsidiary Guarantor, and the performance thereof is within the capacity and powers of each such party thereto, and that each such party to which each BVI Subsidiary Guarantor purportedly delivered the Subject Agreements has actually received and accepted delivery of such Subject Agreements;

- (h) that the Subject Agreements will effect, and will constitute legal, valid and binding obligations of each of the parties thereto, enforceable in accordance with their terms, under the laws of the State of New York ("New York") by which they are expressed to be governed;
- (i) that the Subject Agreements are in the proper legal form to be admissible in evidence and enforced in the courts of New York and in accordance with the laws of New York;
- (j) that there are no provisions of the laws or regulations of any jurisdiction other than the British Virgin Islands which would be contravened by the execution or delivery of the Subject Agreements or which would have any implication in relation to the opinions expressed herein and that, in so far as any obligation under, or action to be taken under, the Subject Agreements is required to be performed or taken in any jurisdiction outside the British Virgin Islands, the performance of such obligation or the taking of such action will constitute a valid and binding obligation of each of the parties thereto under the laws of that jurisdiction and will not be illegal by virtue of the laws of that jurisdiction;
- (k) that the records which were the subject of the Company Search and Litigation Search were complete and accurate at the time of such search and disclosed all information which is material for the purposes of this opinion and such information has not since the date of the Company Search nor the date of the Litigation Search been materially altered;
- (l) that the Resolutions are in full force and effect, have not been rescinded, either in whole or in part, and accurately record the resolutions passed by the Board of Directors of each BVI Subsidiary Guarantor and adopted by the Shareholders of each BVI Subsidiary Guarantor and that there is no matter affecting the authority of the Directors to effect entry by each BVI Subsidiary Guarantor into the Subject Agreements, not disclosed by the Constitutional Documents or the Resolutions, which would have any adverse implication in relation to the opinions expressed herein;
- (m) that no Director of the BVI Subsidiary Guarantors has a financial interest in or other relationship to a party to any transaction to be entered into pursuant to the Subject Agreements or if such an interest does exist, the material facts of the interest of each Director has been disclosed in good faith or is known by the other Directors and/or that the material facts of the interest of each director has been disclosed to the Shareholders and Shareholder approval or ratification has been obtained; and

- (n) that there are no matters of fact or law (other than matters of British Virgin Islands law) affecting the enforceability of the Subject Agreement that have arisen since the execution of the Subject Agreement which would affect the opinions expressed herein.

### Opinion

Based upon and subject to the foregoing and subject to the reservations set out below and to any matters not disclosed to us, we are of the opinion that:

- (1) (a) Each of [ *name of each BVI Subsidiary Guarantor incorporated under the old Act* ] was a company duly incorporated with limited liability under the International Business Companies Act (Cap. 291) and that on 1 January 2007, the Company has automatically re-registered under the British Virgin Islands Business Companies Act, 2004 (the "BVIBC Act"), is validly existing and in good standing under the laws of the British Virgin Islands. Each such BVI Subsidiary Guarantor is a separate legal entity and possesses the capacity to sue and be sued in its own name.
- (b) Each of [ *name of each BVI Subsidiary Guarantor incorporated under new Act* ] is a company, [limited by shares], duly incorporated under the British Virgin Islands Business Companies Act, 2004 (the "BVIBC Act"), validly existing and in good standing under the laws of the British Virgin Islands. Each BVI Subsidiary Guarantor is a separate legal entity and possesses the capacity to sue and be sued in its own name.
- (2) Each BVI Subsidiary Guarantor has all requisite corporate power and authority to enter into, execute, deliver, and perform its obligations under the Subject Agreements and to take all action as may be necessary to complete the transactions contemplated thereby. [The Subject Agreements have been duly executed by each of the BVI Subsidiary Guarantors.]
- (3) The execution, delivery and performance by each BVI Subsidiary Guarantor of the Subject Agreements and the transactions contemplated thereby have been duly authorised by all necessary corporate action on the part of each BVI Subsidiary Guarantor.
- (4) The obligations of each BVI Subsidiary Guarantor as set out in the Subject Agreements constitute legal, valid and binding obligations of each BVI Subsidiary Guarantor, enforceable against each BVI Subsidiary Guarantor in accordance with its terms and would be so treated in courts of the British Virgin Islands.

- (5) No consent, licence or authorisation of or by any governmental authority of the British Virgin Islands is required to be obtained by each BVI Subsidiary Guarantor in connection with the execution, delivery or performance by each BVI Subsidiary Guarantor of the Subject Agreements.
- (6) The execution, delivery and performance by each BVI Subsidiary Guarantor of the Subject Agreements and the transactions contemplated thereby do not and will not violate, conflict with or constitute a default under (i) any requirement of any law or any regulation of the British Virgin Islands or (ii) the Constitutional Documents of the respective BVI Subsidiary Guarantors.
- (7) No stamp duties or similar documentary taxes imposed by or in the British Virgin Islands are payable in respect of the Subject Agreements and none of the BVI Subsidiary Guarantors will be required by any laws of the British Virgin Islands to make any deduction or withholding from any payment it may make under the Subject Agreements. There are no government controls or exchange controls in relation to the performance by each BVI Subsidiary Guarantor of its obligations under the Subject Agreements.
- (8) There is no applicable usury or interest limitation law in the British Virgin Islands which would restrict the recovery of payments or the performance by each BVI Subsidiary Guarantor of its obligations under the Subject Agreements.
- (9) Any monetary judgment in a court of the British Virgin Islands in respect of a claim brought in connection with the Subject Agreements is likely to be expressed in the currency in which such claim is made, since such courts have power to grant a monetary judgment expressed otherwise than in the currency of the British Virgin Islands, but they may not necessarily do so.
- (10) It is not necessary in order to ensure the legality, validity, enforceability or admissibility in evidence in proceedings of the obligations of each BVI Subsidiary Guarantor under the Subject Agreements that the Subject Agreements or any other document be notarised, filed, registered or recorded in the British Virgin Islands except that, each BVI Subsidiary Guarantor is required by section 162 of the BVIBC Act to keep a register of charges and to the extent that any of the Subject Agreements creates a charge over the assets of each BVI Subsidiary Guarantor as that term is understood under the laws of the British Virgin Islands, details of the charge must be entered in the Register of Charges of such BVI Subsidiary Guarantor as maintained at its registered office or at the office of its registered agent and pursuant to section 163 of the BVIBC Act an application may be made with the British Virgin Islands Registrar of Corporate Affairs of the British Virgin Islands to register details of the charge in the Register of Registered Charges for such BVI Subsidiary Guarantor as maintained at the British Virgin Islands Registry.

There is no time limit within which details of the charge created by the Subject Agreements must be entered on such BVI Subsidiary Guarantor's Register of Charges or its Register of Registered Charges at the Registry. Failure to enter details on either register does not affect either the validity or the enforceability of the charge. It should be noted however that registration in the Register of Registered Charges determines the priority of charges created on or after 1 January 2005.

Based solely upon the Company Search, [no] [the following] charges have been filed at the Registry of Corporate Affairs in the British Virgin Islands over assets of the following BVI Subsidiary Guarantors, [the details of which have been provided to you separately]. We have not conducted any investigation into the documents relating to the charges. ]

- (11) The financial obligations of each BVI Subsidiary Guarantor under the Subject Agreements rank at least *pari passu* in priority of payment with all other unsecured and unsubordinated indebtedness (whether actual or contingent) issued, created or assumed by such BVI Subsidiary Guarantor other than indebtedness which is preferred by virtue of any provision of the British Virgin Islands law of general application.
- (12) The choice of the laws of New York as the proper law to govern the Subject Agreements would be recognised, upheld and applied by the courts of the British Virgin Islands as a valid choice of law and the proper law of the Subject Agreements in proceedings brought before them in relation to the Subject Agreements, except for those laws (i) which such courts consider to be procedural in nature; (ii) which are revenue or penal laws; or (iii) the application of which would be inconsistent with public policy, as that term is interpreted under British Virgin Islands law.
- (13) The submission by each BVI Subsidiary Guarantor to the jurisdiction of the courts of New York pursuant to the Subject Agreements would be recognised by the courts of the British Virgin Islands as a legal, valid and binding submission to the jurisdiction of such courts, if such submission is accepted by such courts and is legal, valid and binding under the laws of New York. The appointment by each BVI Subsidiary Guarantor of an agent in New York to accept service of process in respect of proceedings before such courts is a valid and effective appointment, if such appointment is valid and binding under the laws of New York and if no other procedural requirements are necessary in order to validate such appointment.
- (14) Any final and conclusive monetary judgment of a competent foreign court for a definite sum against a BVI Subsidiary Guarantor based upon the Subject Agreements (other than a court of jurisdiction to which the Reciprocal Enforcement of Judgments Act (1922) or the Foreign Judgments (Reciprocal Enforcement) Act (1964) applies, and neither Act applies to the courts of

New York) may be the subject of enforcement proceedings in the courts of the British Virgin Islands under the common law doctrine of obligation by action on the debt evidenced by the judgment of such competent foreign court. A final opinion as to the availability of this remedy should be sought when the facts surrounding the foreign court's judgment are known, but, on general principles, we would expect such proceedings to be successful provided that:

- (i) the foreign court had jurisdiction in the matter and the BVI Subsidiary Guarantor either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
  - (ii) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
  - (iii) the judgment was not obtained by fraud;
  - (iv) recognition or enforcement of the judgment would not be contrary to British Virgin Islands public policy; and
  - (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.
- (15) None of the BVI Subsidiary Guarantors is entitled to immunity from suit or enforcement of a judgment on the ground of sovereignty or otherwise in the courts of the British Virgin Islands in respect of proceedings against it in relation to the Subject Agreements and the execution of the Subject Agreements and performance of its obligations under the Subject Agreements by each BVI Subsidiary Guarantor constitute private and commercial acts.
- (16) Under the laws of the British Virgin Islands, neither the Initial Purchasers nor the Trustee will be deemed to be resident, domiciled or carrying on any commercial activity in the British Virgin Islands or subject to any tax in the British Virgin Islands by reason only of the execution, delivery and performance of the Subject Agreements nor is it necessary for the execution, delivery, performance and enforcement of the Subject Agreements that the Initial Purchasers or the Trustee be authorised or qualified to carry on business in the British Virgin Islands.
- (17) It is not necessary that the Initial Purchasers and the Trustee be licensed, qualified or otherwise entitled to carry on business in the British Virgin Islands, in order to enforce any of their respective rights under the Subject Agreements.

- (18) Based solely upon the Company Search and the Litigation Search:
- (i) no court proceedings are pending against any of the BVI Subsidiary Guarantors; and
  - (ii) no currently valid order or resolution for winding up of any BVI Subsidiary Guarantor and no current notice of appointment of a receiver over any BVI Subsidiary Guarantor or any of its assets appears, but it should be noted that failure to file notice of appointment of a receiver with the Registrar of Corporate Affairs does not invalidate the receivership but merely gives rise to penalties on the part of the receiver.
- (18) The statements included in the Final Offering Memorandum under the caption "Risk Factors", insofar as such statements constitute summaries of the laws or regulations of the British Virgin Islands, fairly summarize in all material respects such matters.

#### Reservations

Our opinion is subject to the following reservations:

- (a) We express no opinion as to any law other than British Virgin Islands law and none of the opinions expressed herein relate to compliance with or matters governed by the laws of any jurisdiction except the British Virgin Islands. This opinion is limited to British Virgin Islands law as applied by the courts of the British Virgin Islands at the date hereof.
- (b) We express no opinion as to the validity, binding effect or enforceability of any provision incorporated into any of the Subject Agreements by reference to a law other than that of the British Virgin Islands, or as to the availability in the British Virgin Islands of remedies which are available in other jurisdictions.
- (c) The term "good standing" as used in this opinion means solely that each BVI Subsidiary Guarantor has received a Certificate of Good Standing from the Registrar of Corporate Affairs [paid its annual licence fees to the Registry of Corporate Affairs. Failure to pay its annual licence fees which would make it liable to be struck off the Register of Companies and eventually cease to exist under the laws of the British Virgin Islands if these fees and any penalties are not paid within a period of ten years from the date on which it was struck off the Register of Companies.].
- (d) The term "enforceable" as used in this opinion means that there is a way of ensuring that each party performs an agreement or that there are remedies available for breach.



- (e) Enforcement of the obligations of each BVI Subsidiary Guarantor under the Subject Agreements may be limited or affected by applicable laws from time to time in effect relating to bankruptcy, insolvency or liquidation or any other laws or other legal procedures affecting generally the enforcement of creditors' rights.
- (f) Enforcement of the obligations of each BVI Subsidiary Guarantor may be the subject of a statutory limitation of the time within which such proceedings may be brought or may be or become subject to defences of set-off or counterclaim.
- (g) We express no opinion as to the validity or binding effect of any provision in the Subject Agreements which provides that each BVI Subsidiary Guarantor will not exercise its statutory powers. This may constitute an unlawful fetter on the statutory powers of each BVI Subsidiary Guarantor.
- (h) We express no opinion as to the validity or binding effect of any provision of the Subject Agreements which provides for the severance of illegal, invalid or unenforceable provisions.
- (i) Any provision in the Subject Agreements that certain calculations or certificates will be conclusive and binding will not be effective if such calculations or certificates are fraudulent or erroneous on their face and will not necessarily prevent juridical enquiries into the merits of any claim by an aggrieved party.
- (j) Where a person is vested with a discretion or may determine a matter in his, her or its opinion, such discretion may have to be exercised reasonably or such an opinion may have to be based on reasonable grounds.
- (k) Obligations that are to be performed in a jurisdiction outside the British Virgin Islands may not be enforceable under the laws of the British Virgin Islands to the extent that such performance would be contrary to public policy under the laws of the British Virgin Islands.
- (l) We express no opinion as to the availability of equitable remedies such as specific performance or injunctive relief, or as to any matters which are within the discretion of the courts of the British Virgin Islands in respect of any obligations of the BVI Subsidiary Guarantors as set out in the Subject Agreements. In particular, we express no opinion as to the enforceability of any present or future waiver of any provision of law (whether substantive or procedural) or of any right or remedy which might otherwise be available presently or in the future under the Subject Agreements.

- (m) A British Virgin Islands court may refuse to give effect to any provisions of the Subject Agreements in respect of costs of unsuccessful litigation brought before the British Virgin Islands court or where that court has itself made an order for costs.
- (n) We express no opinion as to the validity or binding effect of any provision in the Subject Agreements for the payment of a specified rate of interest on the amount of a judgment after the date of judgment.
- (o) In order to issue this opinion we have carried out the Company Search and have not enquired as to whether there has been any change since the date of such search.
- (p) In order to issue this opinion we have carried out the Litigation Search and have not enquired as to whether there has been any change since the date of such search.
- (q) The Company Search and the Litigation Search are not conclusive and it should be noted that the Company Search and the Litigation Search do not reveal:
  - (i) details of matters which have not been lodged for registration or have been lodged for registration but not actually registered at the time of the searches;
  - (ii) details of any proceedings which have been filed but not actually entered in the records of proceedings at the time of the searches.
- (r) We have relied upon statements and representations made to us in the Directors' Certificates provided to us by a director of each of the BVI Subsidiary Guarantors for the purpose of this opinion. We have made no independent verification of the matters referred to in the Directors' Certificates and we qualify our opinion to the extent that the statements or representations made in the Directors' Certificates are not accurate in any respect.
- (s) [The Company Search did not reveal the existence of a Register of Mortgages, Charges and other Encumbrances in respect of any BVI Subsidiary Guarantor. Such a Register of Mortgages, Charges and other Encumbrances may, however, be maintained at a BVI Subsidiary Guarantor's registered office without a copy being necessarily filed at the Registry of Corporate Affairs.]
- (t) Service on each BVI Subsidiary Guarantor overseas of process in connection with proceedings in a British Virgin Islands court by means of post, as contemplated in Section 18(b) of the Purchase Agreement, would be effective only if made with leave of the court.

**Disclosure**

This opinion is addressed to you solely for your benefit and is neither to be transmitted to any other person, nor relied upon by any other person (other than your counsel Messrs. Davis Polk & Wardwell) or for any other purpose nor quoted or referred to in any public document nor filed with any governmental agency or person, without our prior written consent, except as may be required by law or regulatory authority. Further, this opinion speaks as of its date and is strictly limited to the matters stated herein and we assume no obligation to review or update this opinion if applicable law or the existing facts or circumstances should change.

This opinion is governed by and is to be construed in accordance with British Virgin Islands law. It is given on the basis that it will not give rise to any legal proceedings with respect thereto in any jurisdiction other than the British Virgin Islands.

Yours faithfully

Appleby

## Exhibit A-4

FORM OF OPINION OF  
JINGTIAN & GONGCHENG  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

July [ \* ], 2008

Sino-Forest Corporation  
3815-29, 38<sup>th</sup> Floor, Sun Hung Kai Centre  
30 Harbour Road,  
Wanchai, Hong Kong SAR

Dear Sirs/Mesdames:

Re: Sino-Forest Corporation - Offering of [ \* ]% Convertible Senior Notes Due 2013

We are qualified lawyers registered in the People's Republic of China ("PRC") and as such are qualified to issue this legal opinion on the laws of the PRC.

We have acted as PRC legal counsel for Sino-Forest Corporation (the "Company"), in connection with the offering of [ \* ]% Convertible Senior Notes Due 2013 (the "Securities") by the Company in accordance with the terms and conditions as set out in the Offering Memorandum dated July [ \* ], 2008 (the "Final Offering Memorandum").

In connection with the offering, the Company and the Subsidiary Guarantors have entered into a Purchase Agreement dated July [ 17 ], 2008 (the "Purchase Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC (together, the "Initial Purchasers"). We have been requested by the Company to give this legal opinion with respect to the laws of the PRC pursuant to Section 5(a) of the Purchase Agreement.

We have examined the originals or copies, certified or otherwise identified to our satisfaction, of all documents provided to us by the Company and all such other documents, corporate records, papers and agreements and certificates or approvals issued by officials of government departments and other public organizations and such other agreements or documents as we have deemed necessary or appropriate as a basis for the opinions.

In such examination, we have assumed that (a) all documents submitted to us as copies conform to their originals and all documents submitted to us as originals are authentic; (b) all signatures, seals and chops on such documents are genuine; (c) other than the persons of the PRC (including the Company) and entities relevant to any of the documents or to such other documents as referred to in this opinion which entities are incorporated or established or organized under the laws of the PRC, all parties have the requisite power and authority to enter into, and have duly executed and delivered the documents and performed their obligations thereunder; and (d) these documents constitute legal, valid and binding obligations on the parties thereto under the laws (other than the laws of the PRC) by which they are expressed to be governed.

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This opinion is rendered on the basis of the PRC laws effective as at the date hereof and there is no assurance that any of such laws will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect. Any such changes, amendments or replacements may be made by an order of the President of the PRC or the State Council or, in the case of provincial laws and regulations, by the relevant provincial government and may become effective immediately on promulgation.

We do not purport to be an expert on or to be generally familiar with or qualified to express legal opinions based on any laws other than the PRC laws. Accordingly, we express or imply no opinion on the laws of any jurisdiction other than the PRC.

Capitalized terms used herein and not otherwise defined shall have the same meanings as ascribed to such terms in the Purchase Agreement and the Final Offering Memorandum.

Based on and subject to the foregoing, we are of the opinion that:

1. Each of the wholly foreign owned enterprises listed in Schedule 1 (each a "WFOE"; collectively, the "WFOEs"), and each of the entities listed in Schedule 2 (each a "PRC Limited Company Invested by WFOE"; collectively, the "PRC Limited Companies Invested by WFOE", and together with the WFOEs, the "PRC Subsidiaries") has been duly incorporated under the laws of the PRC as a wholly foreign owned enterprise or a PRC Limited Company invested by WFOE with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights) and to conduct business as described in the Disclosure Package and the Final Offering Memorandum and constitutive documents of such PRC Subsidiary, including articles of association, approval certificates and business license, as the case may be, and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification; the business operations of each PRC Subsidiary as described or contemplated in the Disclosure Package and the Final Offering Memorandum are in compliance with, and do not violate or conflict with, any applicable laws and regulations or any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, and each of the business licenses of each of the PRC Subsidiaries is valid and in full force and effect and have not been revoked, withdrawn, suspended or cancelled, except as otherwise disclosed in the Disclosure Package and the Final Offering Memorandum. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, the relevant WFOEs listed in Schedule 3 are non-material active PRC subsidiaries.
2. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, Suri-Wood Inc. has the right to conduct business in the PRC in the manner as presently conducted and as described in the Disclosure Package and the Final Offering Memorandum, and has the right to own the purchased tree plantations (as set forth in the Disclosure Package and the Final Offering Memorandum) and as approved by the relevant forestry bureaus, has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.

3. Each of the entities listed in Schedule 4 is the owner of 100% of the registered capital of each of the PRC Subsidiaries, respectively, as set forth in the Disclosure Package and the Final Offering Memorandum, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law) or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
4. The registered capital of each of the PRC Subsidiaries has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect, except for Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司), whose registered capital has been partially paid up as permitted by PRC law.
5. All descriptions in the Disclosure Package and the Final Offering Memorandum of contracts and other material documents to which any PRC Subsidiary is a party or are governed by PRC law are true and accurate in all material respects, fairly summarize the contents of such contracts or documents and do not omit any material information which affects the import of such descriptions; to the best of our knowledge after reasonable investigation and inquiry, and as confirmed by the Company, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Disclosure Package and the Final Offering Memorandum other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects; each PRC Subsidiary has legal right and/or corporate power to enter into and to perform its obligations under the contracts and other documents set forth in the Disclosure Package and the Final Offering Memorandum to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of such contracts and documents. Each of such contracts and documents has been duly authorized, executed and delivered by the relevant PRC Subsidiary and constitutes a valid and legally binding agreement of such PRC Subsidiary.
6. The ownership structure of the PRC Subsidiaries as set out in the Disclosure Package and the Final Offering Memorandum is true and accurate and such ownership structure is in compliance with applicable laws and regulations. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, to the best of our knowledge after reasonable investigation and inquiry, and as confirmed by the Company, there is no other company in which any of the PRC Subsidiaries directly or indirectly owns or controls or proposes to own or control a majority interest (whether by way of shareholding, trust arrangement or otherwise), and none of the PRC Subsidiaries has entered into any agreement for the establishment of any company or undertaking in which any of the PRC Subsidiaries will, or agrees to own or control, a majority interest.
7. The events and transactions (the "CJV Conversion") set forth in the Disclosure Package and the Final Offering Memorandum relating to the conversion of the corporate form of certain PRC Subsidiaries of the Company from cooperative joint venture into wholly foreign-owned enterprise, as listed in Schedule 5 (the "Original CJVs"), have been duly effected in accordance with applicable laws and regulations, and the description of the CJV Conversion set forth therein is an accurate and fair summary of such transactions in all material respects.

8. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries is in violation of or in default under (i) any provision of PRC law or regulation or the articles of association of the respective PRC Subsidiary, (ii) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over any of the PRC Subsidiaries or over any of the properties or assets of the PRC Subsidiaries, except for such violations or defaults that would not have a Material Adverse Effect on the PRC Subsidiaries as a whole or on any of the PRC Subsidiaries individually.
9. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, under the current business model as presently conducted and as described in the Disclosure Package and the Offering Memorandum, Suri-Wood Inc. is not in violation of or in default under (i) any provision of PRC law or regulation, (ii) any agreement governed by PRC law by which it is bound or to which any of its properties or assets is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, except for such violations or defaults that would not have a Material Adverse Effect on Suri-Wood Inc..
10. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries has paid all material PRC taxes which it is required to have paid, except for taxes payment of which is being contested in good faith by appropriate proceedings and for which reserves and tax provisions deemed by it to be adequate have been set aside or made on its books. For Suri-Wood Inc. conducting authorized trading operations, the PRC taxes which are required to be paid by Suri-Wood Inc. shall be withheld and paid by the respective authorized intermediaries as the withholding and paying agents in accordance with the relevant agreements, and as confirmed by the Company, adequate tax provisions have been made to meet such tax liabilities of Suri-Wood Inc. as disclosed in the Disclosure Package and the Final Offering Memorandum.
11. The articles of association of each PRC Subsidiary comply with the requirements of applicable law of the PRC and are in full force and effect.
12. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any public, regulatory or governmental authority, agency, body or court of the PRC or any subdivision thereof (a "PRC Governmental Authority") is necessary or required in connection with the due authorization, execution and delivery of the Purchase Agreement or the Indenture, for the offering, issuance, sale or delivery of the Securities or the conversion of the Securities into Common Shares by any holder of the Securities pursuant to the terms of thereof.
13. The carrying on of the authorized trading operations by Suri-Wood Inc. pursuant to the relevant purchase agreements and the authorized sales agreements between Suri-Wood Inc. and the authorized intermediaries does not contravene any provision of applicable PRC law, rule or regulation in all material respects. Each of the sample purchase agreement and authorized sales agreement is valid and legally binding, in

full force and effect, and enforceable in accordance with its terms and Suri-Wood Inc. have and will have good and valid title to the after-tax profits generated by or derived from such operations.

14. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, as of March 31, 2008, the relevant PRC Subsidiaries have the right to use approximately [31,600] hectares of plantation land leased from other parties, in which approximately [21,400] hectares of plantation land are currently used by the Original CJVs. Since the Original CJVs have been approved to be converted into WFOEs and obtained their new business licenses, they will need to negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreements or lease agreements, go through the requisite legal formalities for the transfer of plantation land and obtain the Plantation Rights Certificates for those plantation lands in accordance with the relevant PRC laws and regulations.
15. According to the relevant purchased tree contracts entered into by Suri-Wood Inc. and relevant PRC Subsidiaries as of March 31, 2008 and as confirmed by the relevant local forestry bureaus in their respective approvals or Plantations Rights Certificates, Suri-Wood Inc. and the relevant PRC Subsidiaries have the right to own approximately [260,000] hectares of the purchased trees plantations acquired by Suri-Wood Inc. and relevant PRC Subsidiaries. According to the relevant purchased tree contracts entered into by Suri-Wood Inc., Suri-Wood Inc. has the right, but not the obligation, to acquire plantation land use rights for the lands underlying the purchased trees acquired pursuant to the purchased tree contracts entered into by Suri-Wood Inc. as of the date hereof, subject to the execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
16. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no legal or governmental proceedings pending in the PRC to which, the Company, Suri-Wood Inc. or any of the PRC Subsidiaries is a party or to which any of their respective properties or assets is subject; there are no legal or governmental proceedings pending in the PRC which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company, Suri-Wood Inc. and the PRC Subsidiaries taken as a whole, or the Company, Suri-Wood Inc. or PRC Subsidiaries individually, the validity or enforceability of the Purchase Agreement or the transactions contemplated therein and as disclosed in the Disclosure Package and Final Offering Memorandum; and no such proceedings are threatened.
17. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no outstanding guarantees or contingent payment obligations of each of the PRC Subsidiaries in respect of indebtedness of third parties except as described in the Disclosure Package and the Final Offering Memorandum.
18. Each of the PRC Subsidiaries owns or has been granted all necessary rights to use all of the properties and assets owned or used by it or transferred, assigned or otherwise conveyed to it in connection with its formation or thereafter, free and clear of all claims, liens, security interests or other encumbrances except as otherwise described in the Disclosure Package and the Final Offering Memorandum or are not material,



individually or in the aggregate, to the business of the Company and the PRC Subsidiaries, taken as a whole or individually; each of the PRC Subsidiaries, as the case may be, has the right to use all such plantation lands or has obtained the land use rights to conduct their respective business now being conducted, except as otherwise described in the Disclosure Package and the Final Offering Memorandum, all such plantation land-use rights or land use rights are free and clear of all encumbrances and defects, and all such plantation land-use rights or land use rights are valid, binding and enforceable in accordance with their respective terms; and all real property and buildings held under lease, if any, by each of the PRC Subsidiaries are held by each of them under valid, binding and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment.

19. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries (i) is in compliance in all material respects with all applicable laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received all material permits, licenses and approvals which are currently required under applicable Environmental Laws to conduct its business now being conducted, including to construct, own and operate its respective plant facilities, as described in the Disclosure Package and the Final Offering Memorandum and (iii) is in compliance with the PRC environmental laws and regulations in all material respects. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no pending or threatened judicial actions, suits, claims, liens or proceedings relating to environmental protection laws and regulations against any PRC Subsidiaries. The description of the PRC environmental laws, orders, rules and regulations in the Disclosure Package and the Final Offering Memorandum are true and accurate in all material respects.
20. All descriptions in the Disclosure Package and the Final Offering Memorandum of PRC laws or regulations are correct in all material respects. Other than as disclosed in the Disclosure Package and Final Offering Memorandum, there are no existing or announced laws, policies, regulatory, administrative or other government initiatives or measures regarding the commercial forestry plantations industry and wood products manufacturing industry which would have a Material Adverse Effect.
21. The issue and sale of the Securities (and the Subsidiary Guarantees of the Subsidiary Guarantors) and the execution and delivery by the Company of, and the performance by each of the Company, the Subsidiary Guarantors of its obligations under the Purchase Agreements and the Indenture and the consummation by each of the Company and the Subsidiary Guarantors of the transactions contemplated therein and/or in the Disclosure Package and the Final Offering Memorandum (i) will not contravene (A) any provision of PRC law or regulations, (B) any articles of association, business license, business permit or other constitutional documents of any of the PRC Subsidiaries, (C) to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject, (D) to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, any material agreement governed by PRC law by which the Company or

Suri-Wood Inc. is bound or to which any of the properties or assets of the Company or Suri-Wood Inc. is subject, or (E) any regulation, judgment, order or decree of any governmental body, agency or any court in the PRC or (ii) will not result in the creation or imposition of any claim, lien, mortgage, security interest or other encumbrance on any property or assets of the PRC Subsidiaries or on any purchased tree plantations of the Suri-Wood Inc., except such as pursuant to the Purchase Agreement.

22. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, no tax or duty (including any stamp or other issuance or transfer tax or duty and any tax or duty on capital gains or income, whether chargeable on a withholding basis or otherwise) is payable by or on behalf of the Initial Purchasers under any applicable laws and regulations of the PRC, or of any political subdivision, department or agency thereof in connection with (a) the offering, issuance, sale or delivery of the Securities (and the Subsidiary Guarantees) by the Company to or for the account of the Initial Purchasers in the manner contemplated in the Purchase Agreement or the Disclosure Package and the Final Offering Memorandum; (b) the offer, sale or delivery by the Initial Purchasers of the Securities (and the Subsidiary Guarantees) to the subsequent purchasers thereof; (c) the execution and delivery of the Purchase Agreement, the Indenture or any other document relating to the offering of the Securities (and the Subsidiary Guarantees); or (d) the consummation of the transactions contemplated in the Purchase Agreement or the Indenture or the performance by the Company and the Guarantors of their respective obligations thereunder or the transactions contemplated by the Disclosure Package and the Final Offering Memorandum.
23. Except as disclosed in the Disclosure Package and Final Offering Memorandum, all such licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC as are currently required for (i) the PRC Subsidiaries' ownership and use of their properties and assets, the construction of their plant facilities and the conduct of their business in the manner as described in the Disclosure Package and Final Offering Memorandum and (ii) Suri-Wood Inc. to own the purchased tree plantations and conduct business in the manner as described in the Final Offering Memorandum, and (iii) the performance by the Company, the Subsidiary Guarantors or any PRC Subsidiary of their respective obligations under the Purchase Agreement have been obtained or made and are in full force and effect, except for those that are not material in the case of (i) and (ii), individually or in the aggregate, to the business, operations and financial conditions of Suri-Wood Inc. or the PRC Subsidiaries, taken as a whole or individually. To the best of our knowledge after reasonable inquiry, we have no reason to believe that any PRC Governmental Authority is considering modifying, suspending or revoking such PRC licenses, consents, authorizations, approvals, certificates and permits.
24. The application of the net proceeds from the offering, as contemplated by the Disclosure Package and the Final Offering Memorandum, will not (i) contravene any provision of applicable PRC law, rule or regulation or the articles of association and any amendment thereof or the business license of any of PRC Subsidiaries or (ii) to the best of our knowledge after reasonable investigation and due inquiry, contravene the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, loan agreement, lease or other agreement binding upon any PRC Subsidiaries, (B) any indenture, mortgage, loan agreement, lease or other agreement governed by PRC law

by which the Company, Suri-Wood Inc. or any of the PRC Subsidiaries is bound or to which any of the properties or assets of Suri-Wood Inc. or PRC Subsidiaries is subject or (C) any judgment, order or decree of any governmental body, agency or court in the PRC.

25. Each WFOE has full power and authority to effect dividend payments and remittances thereof outside the PRC in United States dollars, except for the withholding tax required under the New Income Tax Law of the PRC and other exceptions, in each case, as disclosed in the Disclosure Package and the Final Offering Memorandum, free of deduction or withholding on account of income tax and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC, except for the procedural requirements as described in the Disclosure Package and the Final Offering Memorandum.
26. Under current PRC tax laws (including the Enterprise Income Law of the PRC), regulations and rulings, holders of the Securities that are nonresidents of the PRC are not subject to withholding tax, income tax or any other taxes or duties imposed by any of the PRC Government Authorities in respect of (A) any interest or principal payments or other distributions paid or made on the Securities, (B) gains made on sales of the Securities (or the Common Shares issuable upon conversion of the Securities) between non-residents of the PRC consummated outside the PRC or (C) any dividend or other distribution paid or made on the Common Shares to be issued or issuable upon conversion of the Securities.
27. Except for Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司), whose registered capital has been partially paid up, and for whom dividend payments and remittances thereof shall be made in proportion to the paid-up contribution of its registered capital, no WFOE is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company or any of its WFOEs, from making any other distribution on such WFOE's registered capital, or from repaying to the Company any loans or advances to such WFOE from the Company or any of its WFOEs, except as otherwise described in the Disclosure Package and the Final Offering Memorandum and as would be permitted by the Indenture.
28. Except for Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司), whose registered capital has not been fully paid up, each WFOE has full power and authority to borrow shareholder loans from the Company or any of its non-PRC Subsidiaries as contemplated and described in the Disclosure Package and the Final Offering Memorandum. Except for those disclosed in the Disclosure Package and the Final Offering Memorandum, no other licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC are required for a WFOE to borrow shareholder loans. Each WFOE will be able to repay such shareholder loans in, and remit, United States dollars, except for the withholding tax required under the New Income Tax Law of the PRC and other exceptions, in each case, as disclosed in the Disclosure Package and the Final Offering Memorandum, free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization,

order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC.

29. To the best of our knowledge after due investigation and inquiry, none of the PRC Subsidiaries nor other person has taken any action nor have any other steps been taken or legal proceedings been started or threatened against any of the PRC Subsidiaries for its winding up or dissolution, or for the withdrawal, revocation or cancellation of the business license of any of the PRC Subsidiaries; and no notice of appointment of a receiver of any of the PRC Subsidiaries or any of its assets has been issued and no declaration or order of insolvency has been or is threatened to be made.
30. The statements in the Disclosure Package and Final Offering Memorandum under the headings "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Government Regulation" and "Tree Plantation Contractual Arrangements" insofar as such statements constitute summaries of the laws or regulations of the PRC or documents governed by PRC law as of the date hereof, fairly present the information called for with respect to such legal matters and documents and fairly summarize matters referred to therein.
31. To the best of our knowledge after due investigation and inquiry and as confirmed by the Company, no labor dispute, or disturbance involving the employees of any PRC Subsidiary in the PRC, exists or is imminent or threatened, except as would not, individually or in the aggregate, have a Material Adverse Effect. Each of the PRC Subsidiaries has complied in all material respects with all employment, labor and similar laws applicable to the PRC Subsidiaries and has made welfare contributions for its employees as required under PRC law.
32. Under PRC law, there is no restriction for the transfer of the Securities by the Company to or for the account of the Initial Purchasers, and the subsequent purchasers thereof, assuming that such subsequent purchasers are not entities organized under the laws of, or residents of, the PRC.
33. Each of the PRC Subsidiaries owns or has valid licenses in full force and effect or otherwise has the legal right to use all material trademarks currently employed by it in connection with the business currently operated by it as disclosed in the Disclosure Package and Final Offering Memorandum and, to the best of our knowledge after due inquiry and as confirmed by the Company, none of the PRC Subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in any Material Adverse Effect.
34. The tax rates applicable to each of the PRC Subsidiaries disclosed in the Disclosure Package and the Final Offering Memorandum is true and accurate in all material respects; the description of the tax laws and regulations applicable to the PRC Subsidiaries described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Disclosure Package and the Final Offering Memorandum is true and accurate under relevant PRC tax laws and regulations. There are no material PRC fees or taxes that are applicable to the Company and such subsidiaries as a consequence of completion of the offering that have not been described in the Disclosure Package and the Final Offering Memorandum.

35. The entry into, and performance or enforcement of the Purchase Agreement in accordance with its terms will not subject the Initial Purchasers to a requirement to be licensed or otherwise qualified to do business in the PRC, nor will the Initial Purchasers be deemed to be resident, domiciled, carrying on business through an establishment or place in the PRC or in breach of any PRC law by reason of entry into, performance or enforcement of the Purchase Agreement or of or the consummation of the transactions contemplated in the Purchase Agreement or the performance by the Company and the Subsidiary Guarantors of their respective obligations thereunder or the transactions contemplated by the Disclosure Package and the Final Offering Memorandum.
36. Each of the WFOEs has complied with all the required registration with the relevant State Administration of Foreign Exchange of the PRC.
37. Each of the Purchase Agreement, the Indenture and the Securities is in a proper legal form under PRC laws for the enforcement thereof against the Company, as the case may be, in the PRC except the voluntary application of enforcement as required by applicable PRC laws. It is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of the Purchase Agreement, the Indenture, the Securities or any other document or instrument related to the transactions contemplated in the Disclosure Package and the Final Offering Memorandum for such documents to be filed or recorded or enrolled with any court or authority in the PRC or any political subdivision thereof or that any stamp, registration or similar tax be paid in the PRC or any political subdivision thereof. Any final judgment for a fixed or readily calculable sum of money rendered by any court of the State of New York or of the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Company based upon the Purchase Agreement would be recognized and enforced by the courts of the PRC in accordance with the requirements of PRC Civil Procedures Law based either on treaties between the PRC and the United States of America (if any) or on reciprocity between jurisdictions, subject to the public policy considerations.
38. The performance by the Initial Purchasers in the PRC of any of its rights, duties, obligations and responsibilities under the Purchase Agreement will not violate any law applicable in the PRC.
39. We have generally reviewed and discussed with the Initial Purchasers' representatives and with certain officers and employees of, and counsel and independent accountants for, the Company the information furnished, and the Company has confirmed such information to us. On the basis of such consideration, review and discussion with ordinary care and due diligence as a PRC legal counsel, but without independent checking or verification except as stated above, nothing has come to our attention that causes us to reasonably believe that (i) as of the Applicable Time, the Disclosure Package (except for the financial statements and schedules and other financial data included therein or omitted therefrom, as to which we need make no statement) included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, in all material respects, not misleading or (ii) the Final Offering Memorandum or any amendment or supplement thereto (except for the financial statements and schedules and other financial data included therein or omitted

therefrom, as to which we need make no statement), at the time the Final Offering Memorandum was issued, at the time any such amended or supplemented Final Offering Memorandum was issued or at the Closing Time, included or includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, in all material respects, not misleading.

This legal opinion is hereby rendered for and solely for the purpose of the offering of the Securities as described above and may only be relied upon by the Company and shall not be used for any other purpose without our prior written consent. The Company is authorized and may provide a copy of this opinion to the Initial Purchasers and their legal counsels.

Yours faithfully,

Jingtian & Gongcheng

Schedule 1

List of WFOEs

1. Sino-Forest (Guangzhou) Co., Ltd. (嘉汉林业 (广州) 有限公司)
2. Sino-Forest (Heyuan) Co., Ltd. (嘉汉林业 (河源) 有限公司)
3. Sino-Forest (Anhui) Co., Ltd. (嘉汉林业 (安徽) 有限公司)
4. Sino-Forest (China) Investments Limited (嘉汉林业 (中国) 投资有限公司)
5. Sino-Forest (Guangzhou) Trading Co., Ltd. (嘉汉林业 (广州) 商贸有限公司)
6. Sino-Forest (Suzhou) Trading Co., Ltd. (嘉汉林业 (苏州) 商贸有限公司)
7. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业 (苏州) 有限公司)
8. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司)
9. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司)
10. Heyuan Jiahe Forestry Development Co., Ltd. (河源嘉河林业发展有限公司)
11. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司)
12. Zhangzhou Jiannin Forestry Development Co., Ltd. (漳州嘉闽林业发展有限公司)
13. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木 (苏州) 有限公司)
14. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情 (上海) 贸易有限公司)
15. Sino-Maple (Shanghai) Co., Ltd. (北美枫情 (上海) 商贸有限公司)
16. Guangdong Jiayao Wood Products Development Co., Ltd. (广东嘉耀木业发展有限公司)
17. Heilongjiang Jiamu Panel Co., Ltd. (黑龙江嘉穆板业有限公司)
18. Hunan Jiayu Wood Products Co., Ltd. (湖南嘉裕木业有限公司)
19. Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd.  
(湘西自治州嘉熙林业发展有限公司)
20. Hunan Jiayu Wood Products (Hongjiang) Co., Ltd. (湖南嘉裕木业 (洪江市) 有限公司)
21. Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.  
(张家港保税区嘉森国际贸易有限公司)
22. Shaoyang Jiading Wood Products Co., Ltd. (邵阳嘉鼎木业有限公司)
23. Sino-Panel (Gengma) Co., Ltd. (嘉汉板业 (耿马) 有限公司)

24. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
25. Sino-Panel (Luzhai) Co., Ltd. (嘉汉板业(鹿寨)有限公司)
26. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
27. Sino-Panel (Beihai) Development Co., Ltd. (嘉汉板业(北海)发展有限公司)
28. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司)
29. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
30. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
31. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司)
32. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司)
33. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司)
34. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司)



**Schedule 2**

**List of PRC Limited Companies invested by WFOE**

1. Suzhou City Lvyun Garden Engineering Co., Ltd. (苏州市绿韵园林工程有限公司)
2. Beihai Changqing Wooden Co., Ltd. (北海常青木业有限公司)

Schedule 3

List of non-Material PRC Subsidiaries

1. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司)
2. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司)
3. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
4. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司)
5. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司)
6. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
7. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司)
8. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
9. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
10. Suzhou City Lv Yun Garden Engineering Co., Ltd. (苏州市绿韵园林工程有限公司)
11. Beihai Changqing Wooden Co. Ltd. (北海常青木业有限公司)

Schedule 4

## List of Shareholders of PRC Subsidiaries

1. Sino-Wood (Guangxi) Limited
2. Sino-Wood (Jiangxi) Limited
3. Sino-Wood (Guangdong) Limited
4. Sino-Wood (Fujian) Limited
5. Sino-Forest Investments Limited
6. Grandeur Winway Ltd.
7. Sinowin Investments Ltd.
8. Sino-Forest Bio-Science Limited
9. Sino-Panel (Asia) Inc.
10. Sino-Panel (Gaoyao) Ltd.
11. SFR (China) Inc.
12. Sino-Panel (Guangxi) Ltd.
13. Sino-Panel (North Sea) Ltd.
14. Sino-Panel (Suzhou) Ltd.
15. Sino-Panel (Yunnan) Ltd.
16. Sino-Panel (Hunan) Ltd.
17. Sino-Panel (Xiangxi) Ltd.
18. Sino-Panel (North East China) Ltd.
19. Sino-Panel (Guangzhou) Ltd.
20. Sino-Panel (Huaihua) Ltd.
21. Sino-Panel (Yongzhou) Ltd.
22. Sino-Forest (China) Investments Limited (嘉汉林业(中国)投资有限公司)
23. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木(苏州)有限公司)
24. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业(苏州)有限公司)

Schedule 5

List of Original CJVs

1. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司)
2. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司)
3. Heyuan Jiahe Forestry Development Co., Ltd. (河源嘉河林业发展有限公司)
4. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司)

## Exhibit A-5

FORM OF OPINION OF  
STIKEMAN ELLIOT LLP  
TO BE DELIVERED PURSUANT TO SECTION 5(b)

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
4 World Financial Center  
New York, New York 10080  
United States

July 9, 2008

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States

Dear Sirs/Mesdames:

Re: **Sino-Forest Corporation**  
**Offering of 9% Convertible Senior Notes Due 9**

***Our Role***

We have acted as special Canadian counsel to Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC (together, the "Initial Purchasers") in connection with the issue and sale by Sino-Forest Corporation (the "Company"), and the purchase by the Initial Purchasers of, 9% convertible senior notes due 9 of the Company, pursuant to a purchase agreement dated July 9, 2008 between the Initial Purchasers, the Company and the subsidiary guarantors set out in Schedule D-1 to that agreement (the "Purchase Agreement").

Capitalized terms used in this opinion that we do not define have the meanings given to them in the Purchase Agreement.

This opinion is being provided to you pursuant to section 5(b) of the Purchase Agreement.

***Scope of Review, Reliances and Assumptions***

***Documentary Review***

We have examined executed copies of the following documents:

- (a) the Purchase Agreement;
- (b) the Indenture;
- (c) the Notes; and

- (d) a letter from the Toronto Stock Exchange (the "TSX") to the Company dated ●, 2008 (the "TSX Letter").

We have also examined the Disclosure Package and the Final Offering Memorandum to the extent necessary for the purposes of the opinions provided herein.

*Reliance*

For the purposes of this opinion, we have also examined an original or copy of, certified or otherwise identified to our satisfaction, and relied upon, a certificate of status provided by the Government of Canada with respect to the Company (the "Certificate of Status").

For the purposes of providing our opinion expressed below in paragraph 1, we have relied exclusively upon the Certificate of Status without independent investigation of the matters provided for in it.

For the purposes of providing our opinion expressed below in paragraph 3, we have relied exclusively upon the TSX Letter without independent investigation of the matters provided for in it.

*Assumptions*

In examining all documents and in providing our opinions below, we have assumed that:

- (a) all individuals had the requisite legal capacity;
- (b) all signatures are genuine;
- (c) all documents submitted to us as originals are complete and authentic and all photostatic, certified, telecopied, notarial or other copies conform to the originals;
- (d) all facts set forth in the official public records, certificates and documents supplied by public officials or otherwise conveyed to us by public officials are complete, true and accurate;
- (e) the Documents have been duly authorized, executed and delivered by each party to them other than the Company;
- (f) the performance of the obligations would not be illegal under the law of the place of performance if that is a place other than the Province of Ontario (the "Jurisdiction");
- (g) each purchaser subject to the securities laws of the Jurisdiction (each a "Purchaser" and collectively, the "Purchasers") purchasing the Notes has been provided with a copy of the Final Offering Memorandum;
- (h) the representations and warranties given by each Purchaser of the Notes as set forth in the Final Offering Memorandum are true and correct as of the date hereof, including (without limitation) that each Purchaser is an "accredited investor" as defined in section 1.1 of National Instrument 45-106 -- *Prospectus and Registration Exemptions*;
- (i) no trades were made through or in reliance on any advertisement in printed media of general or paid circulation, or on radio or television or telecommunications media, including electronic display;

- (j) each of the Initial Purchasers has an affiliate (together, the "Affiliates") that is duly registered under the securities laws of the Jurisdiction, as of the date hereof, as a broker, investment dealer or securities dealer, and each such Affiliate has complied with all laws applicable to it, including any limitations on its activities applicable because of the category in which it is registered, in arranging for the purchase of the Notes by the Purchasers;
- (k) except as otherwise disclosed in the Final Offering Memorandum, the Company is not a "related issuer" or a "connected issuer" (as those terms are defined in National Instrument 33-105 – *Underwriting Conflicts*) of any registrant involved in the distribution of the Notes;
- (l) the Purchasers are purchasing as principals; and
- (m) to the extent our opinions relate to tax matters, particularly those expressed in paragraphs 5, 6, 7 and 8, the Common Shares will, at all relevant times, be listed on the TSX.

*Practice Limitation*

Our opinion below is expressed only with respect to the laws of the Jurisdiction and of the laws of Canada applicable in the Jurisdiction. Any reference to the laws of the Jurisdiction includes the laws of Canada that apply in the Jurisdiction.

*Date of Review and No Obligation to Update*

Our opinion is expressed with respect to the laws of the Jurisdiction in effect on the date of this opinion and we do not accept any responsibility to take into account or inform the addressees, or any other person authorized to rely on this opinion, of any changes in law, facts or other developments subsequent to this date that do or may affect the opinions we express, nor do we have any obligation to advise you of any other change in any matter addressed in this opinion or to consider whether it would be appropriate for any other person other than the addressees to rely on our opinion.

*Opinions*

Based on the above, and subject to the qualifications below, we are of the opinion that:

1. The Company is existing under the laws of Canada.
2. The Company has all requisite corporate power, capacity and authority to carry on its business and to own, lease and operate its property and assets as described in the Disclosure Package and the Final Offering Memorandum, and to offer and issue the Notes, and to execute, deliver and perform its obligations under the Purchase Agreement, the Indenture and the Notes.
3. The Common Shares issuable upon conversion of the Notes in accordance with the terms of the Indenture have been conditionally approved for listing on the TSX, subject to compliance by the Company with the terms and conditions contained in the TSX Letter.
4. No consent, approval, authorization, filing with (including, without limitation, the filing of any prospectus, registration statement or similar document) or order of any court or governmental agency or body in the Jurisdiction is required in connection with the transactions contemplated in the Purchase Agreement and the Indenture, except with respect to the purchase of any Notes by any Purchasers, the filing of a report of such purchase in prescribed form with, and the delivery of

a copy of any offering memorandum and any amendment thereto provided to such Purchasers to, together with the applicable fees, the Ontario Securities Commission, within 10 days after the date of such purchase.

5. No stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Initial Purchasers under the laws of Canada or the Jurisdiction in connection with:
- (a) the execution and delivery of the Purchase Agreement and the Indenture;
  - (b) the issuance, sale and delivery by the Company to or for the account of the Initial Purchasers of the Notes; or
  - (c) the sale and delivery by the Initial Purchasers of the Notes to the initial purchasers thereof;

provided that:

- (a) each of the Initial Purchasers is a non-resident of Canada for the purposes of the *Income Tax Act* (Canada) who does not use or hold, and is not deemed to use or hold, the Notes or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year;
  - (b) in the case of an Initial Purchaser that carries on an insurance business in Canada and elsewhere, the Purchase Agreement and the Notes are not designated insurance property within the meaning of the *Income Tax Act* (Canada) of such Initial Purchaser; and
  - (c) the Initial Purchasers do not own, in the last 60 months have not owned, and are not deemed to own, together with persons with whom such Initial Purchasers do not deal at arm's length, 25% or more of the shares of any class or series of the Company.
6. Neither the Initial Purchasers nor the Trustee will be deemed to be resident in Canada for the purposes of the *Income Tax Act* (Canada) solely (including on the assumption that the Trustee is not otherwise resident in Canada) by reason of the execution, delivery or consummation of any of the Purchase Agreement, the Indenture or the Notes or by reason of ownership of the Notes or the Common Shares issuable upon conversion of the Notes.
7. The Company will not be required under the *Income Tax Act* (Canada), including the regulations promulgated thereunder, or the tax legislation of the Jurisdiction (collectively, the "Canadian Tax Law") to withhold tax on account of: (i) any amount paid or credited, or deemed to be paid or credited, by or on behalf of the Company in respect of the principal amount of, or any premium on, the Notes, (ii) the issue or delivery of Common Shares (or other property) upon conversion of the Notes or any adjustment to the conversion rate of the Notes, in each case, in accordance with the terms of the Indenture, or (iii) any amount paid or credited, or deemed to be paid or credited, by or on behalf of the Company as, on account or in lieu of payment of, or in satisfaction of, interest payable (or deemed to be payable) on the Notes to any holder of the Notes who, for the purposes of the Canadian Tax Law, is neither resident nor deemed to be resident in Canada and who is dealing with the Company at arm's length at the time of such payment or crediting (a "Non-Resident Holder"). Under the Canadian Tax Law, no tax on income (including taxable capital gains) is or will be payable by a Non-Resident Holder merely as a result of entering into the Purchase Agreement or the holding, sale, redemption, conversion or other disposition of the



Notes, or in respect of the payment or crediting by or on behalf of the Company of the principal amount outstanding under the Notes or any premium or interest on such amount, provided that (i) the Non-Resident Holder does not use or hold, and is not deemed to use or hold, the Notes or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year, (ii) in the case of a Non-Resident Holder that carries on an insurance business in Canada and elsewhere, the Purchase Agreement and the Notes are not designated insurance property within the meaning of the *Income Tax Act* (Canada) of such Non-Resident Holder, and (iii) the Non-Resident Holder does not own, in the last 60 months has not owned, and is not deemed to own, together with persons with whom the Non-Resident does not deal at arm's length, 25% or more of the shares of any class or series of the Company.

8. The statements made in the Disclosure Package and the Final Offering Memorandum under the caption "Taxation – Canada" fairly present, subject to the qualifications and limitations set out therein, a general summary of the principal Canadian federal income tax considerations generally applicable to a U.S. Resident (as defined therein) who acquires Notes pursuant to the terms set forth in or contemplated by the Disclosure Package and the Final Offering Memorandum or receives Common Shares upon conversion of the Notes in accordance with the terms of the Indenture.
9. The statements included in the Disclosure Package and the Final Offering Memorandum under the captions "Description of the Notes" and "Transfer Restrictions", insofar as such statements relate to matters of the laws of the Jurisdiction and the federal laws of Canada applicable therein, fairly summarize in all material respects such matters.
10. The statements made in the Disclosure Package and the Final Offering Memorandum under the captions "Enforcement of Civil Liabilities" and "Risk Factors", insofar as such statements relate to matters of the laws of the Jurisdiction and the federal laws of Canada applicable therein, are true and accurate in all material respects.
11. In any proceeding brought before a court of competent jurisdiction in the Jurisdiction (an "Ontario Court") for the enforcement of the Purchase Agreement, the Indenture or the Notes, the Ontario Court would apply the laws of the State of New York ("New York Law"), in accordance with the parties' choice of New York Law in the Purchase Agreement, the Indenture and the Notes, to all issues which under the laws of the Jurisdiction are to be determined in accordance with the chosen law of the contract, provided that:
  - (a) the parties' choice of New York Law is bona fide and legal and there is no reason for avoiding the choice of law on the grounds of public policy under the laws of the Jurisdiction; and
  - (b) in any such proceeding, and notwithstanding the parties' choice of law, the Ontario Court:
    - (i) will not take judicial notice of the provisions of New York Law but will only apply such provisions if they are pleaded and proven to its satisfaction by expert testimony;
    - (ii) will apply the laws of the Jurisdiction and the federal laws of Canada applicable therein (collectively, "Ontario Law") that under Ontario Law would be characterized as procedural and will not apply any New York Law that under Ontario Law would be characterized as procedural;

- (iii) will apply provisions of Ontario Law that have overriding effect;
  - (iv) will not apply any New York Law if such application would be characterized under Ontario Law as a direct or indirect enforcement of a foreign revenue, expropriatory, penal or other public law or if its application would be contrary to public policy under Ontario Law; and
  - (v) will not enforce the performance of any obligation that is illegal under the laws of any jurisdiction in which the obligation is to be performed.
12. An Ontario Court would give a judgment based upon a final and conclusive *in personam* judgment of a State or Federal court exercising jurisdiction in the Borough of Manhattan, The City of New York, New York (a "New York Court") for a sum certain, obtained against the Company with respect to a claim arising out of the Purchase Agreement, the Indenture or the Notes without reconsideration of the merits, subject to the following defences that the New York judgment:
- (a) was obtained by fraud or in any manner contrary to the principles of natural justice;
  - (b) was for a claim which under Ontario Law would be characterized as based on a foreign revenue, expropriatory, penal or other public law;
  - (c) is contrary to public policy or to an order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada) or by the Competition Tribunal under the *Competition Act* (Canada) in respect of certain judgments referred to in those statutes; and
  - (d) has been satisfied or is void or voidable under New York Law;
- provided that:
- (a) an action to enforce a judgment of a New York Court must be commenced in the Ontario Court within any applicable limitation period;
  - (b) the Ontario Court will render judgment only in Canadian dollars;
  - (c) the Ontario Court has discretion to stay or decline to hear an action in respect of the New York judgment if the New York judgment is under appeal or there is another subsisting judgment in any jurisdiction relating to the same cause of action as such New York judgment; and
  - (d) an action in the Ontario Court on the New York judgment may be affected by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.
13. The submission by the Company to the non-exclusive jurisdiction of a New York Court contained in the Purchase Agreement, the Indenture and the Notes would be recognized and given effect by an Ontario Court as a valid submission to the jurisdiction of such courts, provided that the provisions of the Purchase Agreement, the Indenture and the Notes respecting service of process on the Company are complied with. A judgment of a New York Court would not be contrary to natural justice by reason only that service of process in the proceedings before the New York

Court was effected on the agent for service of process appointed by the Company pursuant to the Indenture, the Notes and the Purchase Agreement.

This opinion is solely for the benefit of the addressees and not for the benefit of any other person. It is rendered solely in connection with the transactions to which it relates. It may not be quoted, in whole or in part, or otherwise referred to or used for any purpose without our prior written consent.

Yours truly,

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## Exhibit A-6

FORM OF OPINION OF  
DAVIS FOLK & WARDWELL  
TO BE DELIVERED PURSUANT TO SECTION 5(b)

## U.S. Opinion (1)

July [●], 2008

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
4 World Financial Center  
New York, NY 10080  
United States

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States

Ladies and Gentlemen:

We have acted as your special United States counsel in connection with the Purchase Agreement dated July [●], 2008 (the "Purchase Agreement") with Sino-Forest Corporation, a Canada Business Corporations Act corporation (the "Company") and each of the subsidiary guarantors named in Schedule D-1 thereto (each a "Subsidiary Guarantor"), under which you (the "Initial Purchasers") have severally agreed to purchase from the Company US\$300,000,000 aggregate principal amount of its [●]% Convertible Senior Notes due 2013 (the "Notes"). The Notes are to be issued pursuant to the provisions of an Indenture dated as of July [●], 2008 (the "Indenture") between the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee, and are convertible on the terms set forth in the Indenture into common shares of the Company without par value (the "Common Shares"). The Notes will be guaranteed by each of the Subsidiary Guarantors (the "Subsidiary Guarantees" and, together with the Notes, the "Securities").

We have participated in the preparation of the preliminary offering memorandum (the "Preliminary Offering Memorandum") dated July 16, 2008 and the final offering memorandum dated July [●], 2008 ("Final Memorandum") relating to the offering of the Securities. The Preliminary Offering Memorandum, together with the pricing term sheet attached as Schedule B to the Purchase Agreement, is hereinafter referred to as the "Disclosure Package."

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion.

Capitalized terms used but not otherwise defined herein are used as defined in the Purchase Agreement.

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Based upon the foregoing, we are of the opinion that:

1. Assuming that the Purchase Agreement has been duly authorized, executed and delivered by the Company and each of the Subsidiary Guarantors insofar as the laws of Canada, the British Virgin Islands and Hong Kong are concerned, the Purchase Agreement has been duly executed and delivered by the Company and the Subsidiary Guarantors.

2. Assuming that the Indenture has been duly authorized, executed and delivered by the Company and each of the Subsidiary Guarantors insofar as the laws of Canada, the British Virgin Islands and Hong Kong are concerned, the Indenture is a valid and binding agreement of the Company and each Subsidiary Guarantors, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and equitable principles of general applicability and except as rights to indemnification contained therein may be limited by applicable law; provided that we express no opinion as to the (x) enforceability of any waiver of rights under any usury or stay law and (y) validity, legally binding effect or enforceability of any provision that permits holders to collect any portion of stated principal amount upon acceleration of the Securities to the extent determined to constitute unearned interest.

3. Assuming that the Notes have been duly authorized, executed and delivered by the Company insofar as the laws of Canada are concerned, the Notes, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers pursuant to the Purchase Agreement, will be valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and equitable principles of general applicability, and will be entitled to the benefits of the Indenture pursuant to which such Notes are to be issued; provided that we express no opinion as to the (x) enforceability of any waiver of rights under any usury or stay law or (y) validity, legally binding effect or enforceability of any provision that permits holders to collect any portion of stated principal amount upon acceleration of the Notes to the extent determined to constitute unearned interest.

4. Assuming that the Notes have been duly authorized, executed and delivered by the Company insofar as the laws of Canada are concerned, and that the Subsidiary Guarantees have been duly authorized, executed and delivered by each of the Subsidiary Guarantors insofar as the laws of the British Virgin Islands and Hong Kong are concerned, the Subsidiary Guarantees, when the Notes (and the Subsidiary Guarantees endorsed thereon) are executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers pursuant to the Purchase Agreement, will be valid and binding obligations of each Subsidiary Guarantor, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and equitable principles of general applicability; provided that we express no opinion as to the (x) enforceability of any waiver of rights under any usury or stay law and (y) validity, legally binding effect or enforceability of any provision that permits holders to collect any portion of stated principal amount upon acceleration of the Securities to the extent determined to constitute unearned interest.

5. It is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers under the Purchase Agreement or in connection with the initial resale of such Securities by the Initial Purchasers in the manner contemplated by the Purchase Agreement and the Final Memorandum to register the Securities under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended, it being understood that no opinion is expressed as to any subsequent offer or resale of any Security.

We have considered the statements included in the Final Memorandum under the captions "Description of the Notes" and "Plan of Distribution" insofar as they summarize provisions of the Indenture and the Purchase Agreement. In our opinion, such statements fairly summarize these provisions in all material respects.

In rendering the opinions in paragraphs (1) through (5) above, we have assumed that each party to the Purchase Agreement, the Indenture and the Securities (the "Documents") has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its organization. In addition, we have assumed that the execution, delivery and performance by each party thereto of each Document to which it is a party, (1) are within its corporate powers, (2) do not contravene, or constitute a default under, the certificate of incorporation or bylaws or other constitutive documents of such party, (3) require no action by or in respect of, or filing with, any governmental body, agency or official and (4) do not contravene, or constitute a default under, any provision of applicable law or regulation or any judgment, injunction, order or decree or any agreement or other instrument binding upon such party, and that each Document is a valid, binding and enforceable agreement of each party thereto, other than the Company and the Subsidiary Guarantors.

In rendering the opinions set forth in paragraph (5) above, we have assumed the accuracy of, and compliance with, the representations, warranties and covenants of the Company, the Subsidiary Guarantors and the Initial Purchasers in the Purchase Agreement.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York and the federal laws of the United States of America, except that we express no opinion as to any law, rule or regulation that is applicable to the Company or the Subsidiary Guarantors, the Documents or such transactions solely because such law, rule or regulation is part of a regulatory regime applicable to any party to any of the Documents or any of its affiliates due to the specific assets or business of such party or such affiliate.

With respect to all matters of the laws of Canada, the British Virgin Islands, England, Hong Kong, or the People's Republic of China (the "PRC"), you have been delivered, and we understand that you are relying upon, the opinions of (a) Appleby, British Virgin Islands counsel for the Company and the Subsidiary Guarantors, Linklaters, England and Hong Kong counsel for the Company and the Subsidiary Guarantors, and Aird & Berlis LLP, Canadian counsel for the Company and the Subsidiary Guarantors and (b) Stikeman Elliot LLP, Canadian counsel to the Initial Purchasers and Commerce & Finance Law Offices, PRC counsel to the Initial Purchasers, each delivered to you today pursuant to Sections 5(a) and (b), respectively, of the Purchase Agreement.

This opinion is rendered solely to you in connection with the Purchase Agreement. This opinion may not be relied upon by you for any other purpose or relied upon by any other person (including any person acquiring Securities from you) or furnished to any other person without our prior written consent.

Very truly yours,

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## U.S. Opinion (2)

July [•], 2008

Merrill Lynch, Pierce, Fenner & Smith  
 Incorporated  
 4 World Financial Center  
 New York, NY 10080  
 United States

Credit Suisse Securities (USA) LLC  
 Eleven Madison Avenue  
 New York, NY 10010  
 United States

Ladies and Gentlemen:

We have acted as your special United States counsel for you in connection with the Purchase Agreement dated July [•], 2008 (the "Purchase Agreement") with Sino-Forest Corporation, a Canada Business Corporations Act corporation (the "Company") and each of the subsidiary guarantors named in Schedule D-1 thereto (each a "Subsidiary Guarantor"), under which you (the "Initial Purchasers") have severally agreed to purchase from the Company US\$300,000,000 aggregate principal amount of its [•]% Convertible Senior Notes due 2013 (the "Notes"). The Notes are to be issued pursuant to the provisions of an Indenture dated as of July [•], 2008 (the "Indenture") between the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee, and are convertible on the terms set forth in the Indenture into common shares of the Company without par value (the "Common Shares"). The Notes will be guaranteed by each of the Subsidiary Guarantors (the "Subsidiary Guarantees" and, together with the Notes, the "Securities").

We have participated in the preparation of the preliminary offering memorandum (the "Preliminary Offering Memorandum") dated July 16, 2008 and the final offering memorandum dated July [•], 2008 ("Final Memorandum") relating to the offering of the Securities. The Preliminary Offering Memorandum, together with the pricing term sheet attached as Schedule B to the Purchase Agreement, is hereinafter referred to as the "Disclosure Package."

The primary purpose of our professional engagement was not to establish or confirm factual matters or financial, accounting or quantitative information. Furthermore, many determinations involved in the preparation of the Final Memorandum and the Disclosure Package are of a wholly or partially non-legal character or relate to legal matters outside the scope of our opinion separately delivered to you today in respect of certain matters under the laws of the State of New York and the federal laws of the United States of America. As a result, we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Final Memorandum and the Disclosure Package, and we have not ourselves checked the accuracy, completeness or fairness of, or otherwise verified, the information furnished in such documents (except to the extent expressly set forth in our opinion letter separately delivered to you today as to statements included in the Final Memorandum under the captions "Description of the Notes" and "Plan of Distribution"). However, in the course of our acting as counsel to you in connection with the preparation of the Final Memorandum and the Disclosure Package, we have generally reviewed and discussed with your representatives and with certain officers and employees of, and counsel (including Canada, the British Virgin Islands, England, Hong Kong, and the People's Republic of China counsel) and independent public accountants for, the Company and the Subsidiary Guarantors the information furnished, whether or not subject to our check and verification.

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We have also reviewed and relied upon certain corporate records and documents, letters from counsel and accountants and oral and written statements of officers and other representatives of the Company and the Subsidiary Guarantors and others as to the existence and consequence of certain factual and other matters.

On the basis of the information gained in the course of the performance of the services rendered above, but without independent check or verification except as stated above, nothing has come to our attention that causes us to believe that:

(a) at [•] a.m./p.m. (New York time) on the date of the Purchase Agreement, the Disclosure Package contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or

(b) the Final Memorandum as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In providing this letter to you, we have not been called to pass upon, and we express no view regarding, the financial statements or financial schedules or other financial or accounting data included in the Disclosure Package or the Final Memorandum. In addition, we express no view as to the conveyance of the Disclosure Package or the information contained therein to investors.



This letter is delivered solely to you in connection with the Purchase Agreement. This letter may not be relied upon by you for any other purpose or relied upon by any other person (including any person acquiring Securities from you) or furnished to any other person without our prior written consent.

Very truly yours,

A-6-6

## Exhibit A-7

FORM OF OPINION OF  
 COMMERCE & FINANCE LAW OFFICES  
 TO BE DELIVERED PURSUANT TO SECTION 5(b)

Merrill Lynch, Pierce, Fenner & Smith  
 Incorporated  
 4 World Financial Center  
 New York, New York 10080  
 United States

Credit Suisse Securities (USA) LLC  
 Eleven Madison Avenue  
 New York, NY 10010  
 United States

Date: [\*]

Re: Sino-Forest Corporation

We are qualified lawyers of the People's Republic of China (the "PRC" excluding, for the purpose of this opinion only and except where the context otherwise requires, Hong Kong, Macao and Taiwan) and as such are qualified to issue this opinion on the laws of the PRC.

We are acting as PRC legal counsel for Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC (together, the "Initial Purchasers") in connection with the offering by Sino-Forest Cooperation, a *Canada Business Corporations Act* corporation (the "Company"), of the principal amounts of its [\*]% Convertible Senior Notes due [\*] (the "Initial Notes") and the grant by the Company to the Initial Purchasers of the option to purchase all or any part of an additional U.S.\$[\*] principal amount of Notes (the "Option Notes") under a Purchase Agreement (the "Purchase Agreement") dated July [17], 2008 among the Company, the Subsidiary Guarantors (as named in the Purchase Agreement) and the Initial Purchasers, and pursuant to the provisions of an Indenture (the "Indenture") dated as of the date hereof among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, as trustee (the "Trustee"). For the purpose of this opinion, the Initial Notes, the Option Notes and the Subsidiary Guarantees attached thereto are collectively referred to as the "Securities."

For the purpose of this opinion, we have examined the copies, certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, papers, certificates issued by officials of government departments and other public organizations and other instruments as we deem necessary or appropriate for the purpose of rendering this opinion in accordance with Section 5 (b) of the Purchase Agreement.

We have also examined a preliminary offering memorandum dated July 16, 2008 (the "Preliminary Offering Memorandum", together with the Pricing Supplement, the "Disclosure Package") and a final offering memorandum dated [\*] (the "Final Offering Memorandum") and conducted such searches and made such inquiries as we consider necessary or relevant for us to provide this opinion.

In the examination of these documents, we have assumed that (A) all documents submitted to us as copies conform to their originals and all documents submitted to us as originals are authentic; (B) all signatures, seals and chops on such documents are genuine; (C) other than the PRC residents and entities relevant to

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any of the documents or to such other documents as referred to in this opinion which are incorporated or established or organized under the laws of the PRC, all parties have the requisite power and authority to enter into, and have duly executed and delivered the documents and performed their obligations thereunder; and (D) these documents constitute legal, valid and binding obligations on the parties thereto under the laws (other than the laws of the PRC) by which they are expressed to be governed.

This opinion is rendered on the basis of the PRC laws effective as at the date hereof and there is no assurance that any of such laws will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect. Any such changes, amendments or replacements may be made by an order of the President of the PRC or the State Council or, in the case of provincial laws and regulations, by the relevant provincial government and may become effective immediately on promulgation.

We do not purport to be an expert on or to be generally familiar with or qualified to express legal opinions based on any laws other than the PRC laws. Accordingly, we express or imply no opinion on the laws of any jurisdiction other than the PRC.

Capitalized terms used and not otherwise defined in this opinion shall have the meanings ascribed to them in the Purchase Agreement and the Final International Offering Memorandum.

Based on the foregoing, we are of the opinion that on the date hereof:

1. Each of the wholly foreign owned enterprises listed in Schedule 1 (each a "WFOE"; collectively, the "WFOEs"), and each of the entities listed in Schedule 2 (each a "PRC Limited Company Invested by WFOE"; collectively, the "PRC Limited Companies Invested by WFOE", and together with the WFOEs, the "PRC Subsidiaries") has been duly incorporated under the laws of the PRC as a wholly foreign owned enterprise or a PRC limited company invested by WFOE with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights) and to conduct business as described in the Disclosure Package and the Final Offering Memorandum and its constitutive documents, including the articles of association, the approval certificates and the business license, as the case may be, and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification; the business operations of each PRC Subsidiary as described or contemplated in the Disclosure Package and the Final Offering Memorandum are in compliance with, and do not violate or conflict with, any applicable laws and regulations or any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, and each of the business licenses of each of the PRC Subsidiaries is valid and in full force and effect and have not been revoked, withdrawn, suspended or cancelled. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, the relevant WFOEs listed in Schedule 3 are non-material PRC Subsidiaries and only have limited business operation.
2. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, Suri-Wood Inc. has the right to conduct business in the PRC in the manner as presently conducted and as described in the Disclosure Package and the Final Offering Memorandum, and has the right to own the purchased tree plantations (as set forth in the Disclosure Package and the Final Offering Memorandum) and as approved by the relevant forestry bureaus, has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
3. Each of the entities listed in Schedule 4 is the owner of the 100% registered capital of each of the

PRC Subsidiaries, respectively, as described in the Disclosure Package and Final Offering Memorandum, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law), voting trust or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.

4. The registered capital of each of the PRC Subsidiaries has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect, except for Sino-Panel (Yunnan) Trading Co., Ltd., whose registered capital has been partially paid up as permitted under PRC law.
5. All descriptions in the Disclosure Package and the Final Offering Memorandum of contracts and other material documents to which any PRC Subsidiary is a party or are governed by PRC law are true and accurate in all material respects, fairly summarize the contents of such contracts or documents and do not omit any material information which affects the import of such descriptions; to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no franchises, contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Disclosure Package and the Final Offering Memorandum other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects; each PRC Subsidiary has legal right and/or corporate power to enter into and to perform its obligations under the contracts and other documents set forth in the Disclosure Package and the Final Offering Memorandum to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of such contracts and documents. Each of such contracts and documents has been duly authorized, executed and delivered by the relevant PRC Subsidiary and constitutes a valid and legally binding agreement of such PRC Subsidiary.
6. The ownership structure of the PRC Subsidiaries as set out in the Disclosure Package and the Final Offering Memorandum is true and accurate and such ownership structure is in compliance with applicable laws and regulations. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there is no other company in which any of the PRC Subsidiaries directly or indirectly owns or controls or proposes to own or control a majority interest (whether by way of shareholding, trust arrangement or otherwise), and none of the PRC Subsidiaries has entered into any agreement for the establishment of any company.
7. The events and transactions (the "CJV Restructuring") set forth in the Disclosure Package and the Final Offering Memorandum relating to the conversion of the corporate form of certain PRC Subsidiaries of the Company (as listed in Schedule 5, the "Original CJVs") from cooperative joint venture into wholly foreign owned enterprise, have been duly effected in accordance with applicable laws and regulations, and the description of the CJV Restructuring set forth therein is an accurate and fair summary of such transactions in all material respects.
8. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries is in violation of or in default under (i) any provision of PRC law or regulation or the articles of association of the respective PRC Subsidiary, (ii) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over any of the PRC Subsidiaries or over any of the properties or assets of the PRC Subsidiaries, except for such violations or defaults that would not have a Material Adverse Effect on

the PRC Subsidiaries taken as a whole or on any of the PRC Subsidiaries individually.

9. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, under the current business model as presently conducted and as described in the Disclosure Package and the Offering Memorandum, Suri-Wood Inc. is not in violation of or in default under (i) any provision of PRC law or regulation, (ii) any agreement governed by PRC law by which it is bound or to which any of its properties or assets is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, except for such violations or defaults that would not have a Material Adverse Effect on Suri-Wood Inc.
10. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries has paid all material PRC taxes which it is required to have paid, except for taxes payment of which is being contested in good faith by appropriate proceedings and for which reserves and tax provisions deemed by it to be adequate have been set aside or made on its books. For Suri-Wood Inc. conducting authorized trading operations, the PRC taxes which are required to be paid by Suri-Wood Inc. shall be withheld and paid by the respective authorized intermediaries as the withholding and paying agents in accordance with the relevant agreements, and as confirmed by the Company, adequate tax provisions have been made to meet such tax liabilities of Suri-Wood Inc. as disclosed in the Disclosure Package and the Final Offering Memorandum.
11. The articles of association of each PRC Subsidiary comply with the requirements of applicable law of the PRC and are in full force and effect.
12. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any public, regulatory or governmental authority, agency, body or court of the PRC or any subdivision thereof (a "PRC Governmental Authority") is necessary or required in connection with the due authorization, execution and delivery of the Purchase Agreement or the Indenture, for the offering, issuance, sale or delivery of the Securities or the conversion of the Securities into Common Shares by any holder of the Securities pursuant to the terms of thereof.
13. The carrying on of the authorized trading operations by Suri-Wood Inc. pursuant to the relevant purchase agreements and the authorized sales agreements between Suri-Wood Inc. and the authorized intermediaries does not contravene, in any material respect, any provision of applicable PRC law, rule or regulation. Each of the purchase agreements and authorized sales agreements is valid and legally binding, in full force and effect, and enforceable in accordance with its terms and Suri-Wood Inc. has and will have good and valid title to the after-tax profits generated by or derived from such operations.
14. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, as of March 31, 2008, the relevant PRC Subsidiaries have the right to use approximately [31,600] hectares of plantation land leased from other parties, in which approximately [21,400] hectares of plantation land are currently used by the Original CJVs. Since the Original CJVs have been approved to be converted into WFOEs and obtained their new business licenses, they will need to negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreements or lease agreements, go through the requisite legal formalities for the transfer of plantation land and obtain the Plantation Rights Certificates for those plantation lands in accordance with the relevant PRC laws and regulations, as disclosed in the Disclosure Package and the Final Offering Memorandum.
15. According to the relevant purchased tree contracts entered into by Suri-Wood Inc. and relevant PRC

Subsidiaries as of March 31, 2008 and as confirmed by the relevant local forestry bureaus in their respective approvals or Plantations Rights Certificates, Suri-Wood Inc. and the relevant PRC Subsidiaries have the right to own approximately [260,000] hectares of the purchased trees plantations acquired by Suri-Wood Inc. and relevant PRC Subsidiaries. According to the relevant purchased tree contracts entered into by Suri-Wood Inc., Suri-Wood Inc. has the right, but not the obligation, to acquire plantation land use rights for the lands underlying the purchased trees acquired pursuant to the purchased tree contracts entered into by Suri-Wood Inc. as of the date hereof, subject to the execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.

16. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no legal or governmental proceedings pending in the PRC to which, the Company, Suri-Wood Inc. or any PRC Subsidiary is a party or to which any of their respective properties or assets is subject; there are no legal or governmental proceedings pending in the PRC which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company, Suri-Wood Inc. and the PRC Subsidiaries taken as a whole, or the Company, Suri-Wood Inc. or PRC Subsidiaries individually, the validity or enforceability of the Purchase Agreement or the transactions contemplated therein and as disclosed in the Disclosure Package and Final Offering Memorandum; and no such proceedings are threatened.
17. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no outstanding guarantees or contingent payment obligations of each of the PRC Subsidiaries in respect of indebtedness of third parties except as described in the Disclosure Package and the Final Offering Memorandum.
18. Each of the PRC Subsidiaries owns or has been granted all necessary rights to use all of the properties and assets owned or used by it or transferred, assigned or otherwise conveyed to it in connection with its formation or thereafter, to the best of our knowledge after reasonable investigation and inquiry, free and clear of all claims, liens, security interests or other encumbrances except as otherwise described in the Disclosure Package and the Final Offering Memorandum or are not material, individually or in the aggregate, to the business of the Company and the PRC Subsidiaries, taken as a whole; each of the PRC Subsidiaries, as the case may be, has the right to use such plantation lands or has obtained the land use rights which are necessary in the conduct of their respective business now being conducted, except as otherwise described in the Disclosure Package and the Final Offering Memorandum; all such plantation land-use rights or land use rights are free and clear of all encumbrances and defects, and all such plantation land-use rights or land use rights are valid, binding and enforceable in accordance with their respective terms; and all real property and buildings held under lease, if any, by each of the PRC Subsidiaries are held by each of them under valid, binding and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment.
19. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries (i) is in compliance in all material respects with all applicable laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received all material permits, licenses and approvals which are currently required under applicable Environmental Laws to conduct its business now being conducted, including to construct, own and operate its respective plant facilities, as described in the Disclosure Package and the Final Offering Memorandum and (iii) is in compliance in all material respects with the PRC environmental laws and regulations. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, there are no pending or

threatened judicial actions, suits, claims, liens or proceedings relating to environmental protection laws and regulations against any PRC Subsidiaries. The description of the PRC environmental laws, orders, rules and regulations in the Disclosure Package and the Final Offering Memorandum are true and accurate in all material respects.

20. All descriptions in the Disclosure Package and the Final Offering Memorandum of PRC laws or regulations are correct in all material respects. Other than as disclosed in the Disclosure Package and Final Offering Memorandum, there are no existing or announced laws, policies, regulatory, administrative or other government initiatives or measures regarding the commercial forestry plantations industry and wood products manufacturing industry which would have a Material Adverse Effect.
21. The issue and sale of the Securities (and the Subsidiary Guarantees of the Subsidiary Guarantors) and the execution and delivery by the Company of, and the performance by each of the Company and the Subsidiary Guarantors of its obligations under the Purchase Agreements and the Indenture and the consummation by each of the Company and the Subsidiary Guarantors of the transactions contemplated therein and/or in the Disclosure Package and the Final Offering Memorandum (i) will not contravene (A) any provision of PRC law or regulations, (B) any articles of association, business license, business permit or other constitutional documents of any of the PRC Subsidiaries, (C) to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject, (D) to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, any material agreement governed by PRC law by which the Company or Suri-Wood Inc. is bound or to which any of the properties or assets of Suri-Wood Inc. is subject, or (E) any regulation, judgment, order or decree of any governmental body, agency or any court in the PRC or (ii) will not result in the creation or imposition of any claim, lien, mortgage, security interest or other encumbrance on any property or assets of the PRC Subsidiaries or on any purchased tree plantations of Suri-wood Inc. in the PRC, other than pursuant to the transaction contemplated in the Purchase Agreement.
22. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, no tax or duty (including any stamp or other issuance or transfer tax or duty and any tax or duty on capital gains or income, whether chargeable on a withholding basis or otherwise) is payable by or on behalf of the Initial Purchasers under any applicable laws and regulations of the PRC, or of any political subdivision, department or agency thereof in connection with (a) the offering, issuance, sale or delivery of the Securities (and the Subsidiary Guarantees) by the Company to or for the account of the Initial Purchasers in the manner contemplated in the Purchase Agreement or the Disclosure Package and the Final Offering Memorandum; (b) the offer, sale or delivery by the Initial Purchasers of the Securities (and the Subsidiary Guarantees) to the subsequent purchasers thereof; (c) the execution and delivery of the Purchase Agreement, the Indenture, the Security Documents or any other document relating to the offering of the Securities (and the Subsidiary Guarantees); and (d) or the consummation of the transactions contemplated in the Purchase Agreement or the Indenture or the performance by the Company and the Guarantors of their respective obligations thereunder or the transactions contemplated by the Disclosure Package and the Final Offering Memorandum.
23. Except as disclosed in the Disclosure Package and Final Offering Memorandum, all such licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC as are currently required for (i) the PRC Subsidiaries' ownership and use of their properties and assets, the construction of their plant facilities and the conduct of their business in the manner as described in the Disclosure Package and Final Offering Memorandum, (ii) Suri-Wood Inc. to own the purchased

tree plantations and conduct business in the manner as described in the Final Offering Memorandum, and (iii) the performance by the Company, the Subsidiary Guarantors or any PRC Subsidiary of their respective obligations under the Purchase Agreement have been obtained or made and are in full force and effect, except for, in the case of (i) and (ii), such as not material, individually or in the aggregate, to the business, operations and financial conditions of Suri-Wood Inc. or the PRC Subsidiaries, taken as a whole or individually. To the best of our knowledge after reasonable investigation and inquiry, we have no reason to believe that any PRC Governmental Authority is considering modifying, suspending or revoking such PRC licenses, consents, authorizations, approvals, certificates and permits.

24. The application of the net proceeds from the offering, as contemplated by the Disclosure Package and the Final Offering Memorandum, will not (i) contravene any provision of applicable PRC law, rule or regulation or the articles of association and any amendment thereof or the business license of any of PRC Subsidiaries or (ii) to the best of our knowledge after reasonable investigation and inquiry, contravene the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, loan agreement, lease or other agreement binding upon any PRC Subsidiaries, (B) any indenture, mortgage, loan agreement, lease or other agreement governed by PRC law by which the Company, Suri-Wood Inc. or any of the PRC Subsidiaries is bound or to which any properties or assets of Suri-Wood Inc. or PRC Subsidiaries is subject or (C) any judgment, order or decree of any governmental body, agency or court in the PRC.
25. Except for Sino-Panel (Yunnan) Trading Co., Ltd., whose registered capital has been partially paid up as permitted under PRC law, each WFOE has full power and authority to effect dividend payments and remittances thereof outside the PRC in United States dollars, except as disclosed in the Disclosure Package and the Final Offering Memorandum, free of deduction or withholding on account of income tax and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC, except for the procedural requirements as described in the Disclosure Package and the Final Offering Memorandum.
26. Under current PRC tax laws (including the Enterprise Income Law of the PRC), regulations and rulings, holders of the Securities that are nonresidents of the PRC are not subject to withholding tax, income tax or any other taxes or duties imposed by any of the PRC Government Authorities in respect of (A) any interest or principal payments or other distributions paid or made on the Securities, (B) gains made on sales of the Securities (or the Common Shares issuable upon conversion of the Securities) between non-residents of the PRC consummated outside the PRC or (C) any dividend or other distribution paid or made on the Common Shares to be issued or issuable upon conversion of the Securities.
27. Except for Sino-Panel (Yunnan) Trading Co., Ltd., whose registered capital has been partially paid up as permitted under PRC law, no WFOE is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company or any of its Subsidiaries, from making any other distribution on such WFOE's capital stock, or from repaying to the Company any loans or advances to such WFOE from the Company or any of its Subsidiaries, except as otherwise described in the Disclosure Package and the Final Offering Memorandum and as would be permitted by the Indenture.
28. Each WFOE has full power and authority to borrow shareholder loans from the Company or any of its non-PRC Subsidiaries as contemplated and described in the Disclosure Package and the Final Offering Memorandum, except for Sino-Panel (Yunnan) Trading Co., Ltd., whose registered capital has been partially paid up as permitted by PRC law. Except for those disclosed in the Disclosure



Package and the Final Offering Memorandum, no other licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC are required for a WFOE to borrow shareholder loans. Each WFOE will be able to repay such shareholder loans in, and remit, United States dollars, except as disclosed in the Disclosure Package and the Final Offering Memorandum, free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC.

29. To the best of our knowledge after reasonable investigation and inquiry, none of the PRC Subsidiaries nor other person has taken any action nor have any other steps been taken or legal proceedings been started or threatened against any of the PRC Subsidiaries for its winding up or dissolution, or for the withdrawal, revocation or cancellation of the business license of any of the PRC Subsidiaries; and no notice of appointment of a receiver of any of the PRC Subsidiaries or any of its assets has been issued and no declaration or order of insolvency has been or is threatened to be made.
30. The statements in the Disclosure Package and Final Offering Memorandum under the headings "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Government Regulation", and "Tree Plantation Contractual Arrangements" insofar as such statements constitute summaries of the laws or regulations of the PRC or documents governed by PRC law as of the date hereof, fairly present the information called for with respect to such legal matters and documents and fairly summarize matters referred to therein.
31. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, no labor dispute, or disturbance involving the employees of any PRC Subsidiary in the PRC, exists or is imminent or threatened, except the dispute, or disturbance which would not, individually or in the aggregate, have a Material Adverse Effect. To the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries has complied in all material respects with all employment, labor and similar laws applicable to the PRC Subsidiaries and has made welfare contributions for its employees as required under PRC law.
32. Under the PRC law, there is no restriction on the transfer of the Securities by the Company to or for the account of the Initial Purchasers, and the subsequent purchasers thereof, assuming that such subsequent purchasers are not entities organized under the laws of, or residents of, the PRC.
33. Each of the PRC Subsidiaries owns or has valid licenses in full force and effect or otherwise has the legal right to use all material trademarks currently employed by it in connection with the business currently operated by it as disclosed in the Disclosure Package and Final Offering Memorandum and, to the best of our knowledge after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in any Material Adverse Effect.
34. The tax rates applicable to each of the PRC Subsidiaries disclosed in the Disclosure Package and the Final Offering Memorandum is true and accurate in all material respects; the description of the tax laws and regulations applicable to the PRC Subsidiaries described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Disclosure Package and the Final Offering Memorandum is true and accurate under relevant PRC tax

laws and regulations. There are no material PRC fees or taxes that are applicable to the Company and such subsidiaries as a consequence of completion of the offering that have not been described in the Disclosure Package and the Final Offering Memorandum.

35. The entry into, and performance or enforcement of the Purchase Agreement in accordance with its terms will not subject the Initial Purchasers to a requirement to be licensed or otherwise qualified to do business in the PRC, nor will the Initial Purchasers be deemed to be resident, domiciled, carrying on business through an establishment or place in the PRC or in breach of any PRC law by reason of entry into, performance or enforcement of the Purchase Agreement or of or the consummation of the transactions contemplated in the Purchase Agreement or the performance by the Company and the Subsidiary Guarantors of their respective obligations thereunder or the transactions contemplated by the Disclosure Package and the Final Offering Memorandum.
36. Each of the WFOEs has complied with all the required registration with the relevant State Administration of Foreign Exchange of the PRC.
37. Each of the Purchase Agreement, the Indenture and the Securities is in a proper legal form under PRC laws for the enforcement thereof against the Company, as the case may be, in the PRC except the voluntary application of enforcement as required by applicable PRC laws. It is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of the Purchase Agreement, the Indenture, the Securities, the Security Documents or any other document or instrument related to the transactions contemplated in the Disclosure Package and the Final Offering Memorandum for such documents to be filed or recorded or enrolled with any court or authority in the PRC or any political subdivision thereof or that any stamp, registration or similar tax be paid in the PRC or any political subdivision thereof. Any final judgment for a fixed or readily calculable sum of money rendered by any court of the State of New York or of the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Company based upon the Purchase Agreement would be recognized and enforced by the courts of the PRC in accordance with the requirements of PRC Civil Procedures Law based either on treaties between the PRC and the United States of America (if any) or on reciprocity between jurisdictions, subject to the public policy considerations.
38. The performance by the Initial Purchasers in the PRC of any of its rights, duties, obligations and responsibilities under the Purchase Agreement will not violate any law applicable in the PRC.
39. We have generally reviewed and discussed with the Initial Purchasers' representatives and with certain officers and employees of, and counsel and independent accountants for, the Company the information furnished, and the Company has confirmed such information to us. On the basis of such consideration, review and discussion with ordinary care and due diligence as a PRC legal counsel, but without independent checking or verification except as stated above, nothing has come to our attention that causes us to reasonably believe that (1) as of the Applicable Time, the Disclosure Package (except for the financial statements and schedules and other financial data included therein or omitted therefrom, as to which we need make no statement) included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (2) the Final Offering Memorandum or any amendment or supplement thereto (except for the financial statements and schedules and other financial data included therein or omitted therefrom, as to which we need make no statement), at the time the Final Offering Memorandum was issued, at the time any such amended or supplemented Final Offering Memorandum was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under

which they were made, not misleading.

This opinion is addressed to you for your own use in connection with the offering of the Securities as described above and may not be used for any other purposes. It may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent.

Yours faithfully,

Commerce & Finance Law Offices

A-7-10

Schedule 1

List of WFOEs

1. Sino-Forest (Guangzhou) Co., Ltd. (嘉汉林业(广州)有限公司)
2. Sino-Forest (Heyuan) Co., Ltd. (嘉汉林业(河源)有限公司)
3. Sino-Forest (Anhui) Co., Ltd. (嘉汉林业(安徽)有限公司)
4. Sino-Forest (China) Investments Limited (嘉汉林业(中国)投资有限公司)
5. Sino-Forest (Guangzhou) Trading Co., Ltd. (嘉汉林业(广州)商贸有限公司)
6. Sino-Forest (Suzhou) Trading Co., Ltd. (嘉汉林业(苏州)商贸有限公司)
7. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业(苏州)有限公司)
8. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司)
9. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司)
10. Heyuan Jiahe Forestry Development Co., Ltd. (河源嘉河林业发展有限公司)
11. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司)
12. Zhangzhou Jiamin Forestry Development Co., Ltd. (漳州嘉闽林业发展有限公司)
13. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木(苏州)有限公司)
14. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情(上海)贸易有限公司)
15. Sino-Maple (Shanghai) Co., Ltd. (北美枫情(上海)商贸有限公司)
16. Guangdong Jiayao Wood Products Development Co., Ltd. (广东嘉耀木业发展有限公司)
17. Heilongjiang Jiamu Panel Co., Ltd. (黑龙江嘉穆板业有限公司)
18. Hunan Jiayu Wood Products Co., Ltd. (湖南嘉裕木业有限公司)
19. Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd.  
(湘西自治州嘉熙林业发展有限公司)
20. Hunan Jiayu Wood Products (Hongjiang) Co., Ltd. (湖南嘉裕木业(洪江市)有限公司)
21. Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.  
(张家港保税区嘉盛国际贸易有限公司)
22. Shaoyang Jiading Wood Products Co., Ltd. (邵阳嘉鼎木业有限公司)
23. Sino-Panel (Gengma) Co., Ltd. (嘉汉板业(耿马)有限公司)

24. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
25. Sino-Panel (Luzhai) Co., Ltd. (嘉汉板业(鹿寨)有限公司)
26. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
27. Sino-Panel (Beihai) Development Co., Ltd. (嘉汉板业(北海)发展有限公司)
28. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司)
29. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
30. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
31. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司)
32. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司)
33. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司)
34. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司)

Schedule 2**List of PRC Limited Companies Invested by WFOE**

1. Suzhou City Lvyun Garden Engineering Co., Ltd.(苏州市绿韵园林工程有限公司)
2. Beihai Changqing Wooden Co., Ltd.(北海常青木业有限公司)

Schedule 3

## List of non-Material PRC Subsidiaries

1. Sino-Biotechnology (Guangzhou) Co., Ltd.(嘉汉生物科技(广州)有限公司)
2. Sino-Panel (Hezhou) Co., Ltd.(嘉汉板业(贺州)有限公司)
3. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
4. Sino-Panel (Yunnan) Trading Co., Ltd.(嘉汉板业(云南)贸易有限公司)
5. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司)
6. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
7. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司)
8. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
9. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
10. Suzhou City Lvyyun Garden Engineering Co., Ltd.(苏州市绿韵园林工程有限公司)
11. Beihai Changqing Wooden Co. Ltd.(北海常青木业有限公司)

Schedule 4

## List of Shareholders of PRC Subsidiaries

1. Sino-Wood (Guangxi) Limited
2. Sino-Wood (Jiangxi) Limited
3. Sino-Wood (Guangdong) Limited
4. Sino-Wood (Fujian) Limited
5. Sino-Forest Investments Limited
6. Grandeur Winway Ltd.
7. Sinowin Investments Ltd.
8. Sino-Forest Bio-Science Limited
9. Sino-Panel (Asia) Inc.
10. Sino-Panel (Gaoyao) Ltd.
11. SFR (China) Inc.
12. Sino-Panel (Guangxi) Ltd.
13. Sino-Panel (North Sea) Ltd.
14. Sino-Panel (Suzhou) Ltd.
15. Sino-Panel (Yunnan) Ltd.
16. Sino-Panel (Hunan) Ltd.
17. Sino-Panel (Xiangxi) Ltd.
18. Sino-Panel (North East China) Ltd.
19. Sino-Panel (Guangzhou) Ltd.
20. Sino-Panel (Huaihua) Ltd.
21. Sino-Panel (Yongzhou) Ltd.
22. Sino-Forest (China) Investments Limited (嘉汉林业(中国)投资有限公司)
23. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木(苏州)有限公司)
24. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业(苏州)有限公司)



Schedule 5

List of Original CJVs

1. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司)
2. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司)
3. Heyuan Jiahe Forestry Development Co., Ltd. (河源嘉河林业发展有限公司)
4. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司)

## Exhibit B

## FORM OF FINANCIAL OFFICERS' CERTIFICATE

We, Allen T.Y. Chan, Chief Executive Officer of Sino-Forest Corporation (the "Company"), a company continued under the *Canada Business Corporations Act*, and David J. Horsley, Chief Financial Officer of the Company, on behalf of the Company and do hereby certify, without personal liability, that:

1. We are providing this certificate in connection with the offering of US\$300 million [●]% Convertible Senior Notes due 2013 of the Company (the "Offering"). In connection with the Offering, the Company and the Subsidiary Guarantors have executed a purchase agreement dated July 17, 2008 (the "Purchase Agreement") with the several Initial Purchasers listed therein, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Purchase Agreement.

2. We are familiar with the accounting, operations, records systems and internal controls of the Company.

3. With respect to the period from April 1, 2008 to July [●], 2008:

(a) Nothing has come to our attention that has caused us to believe that:

(i) as at July [●], 2008, there was any decrease in the share capital or shareholders' equity, or increase in the long-term debt of the Company as compared with the corresponding amounts shown on the March 31, 2008 unaudited consolidated balance sheet included in the Offering Memorandum; or

(ii) there were any material decreases in revenue, gross profit, income from operations, income before income taxes, net income or retained earnings for the period from April 1, 2008 to July [●], 2008, as compared with the corresponding period in the preceding year.

(b) We estimate that, for the second quarter of 2008, the Company's sales volume of plantation fiber is approximately [●] hectares and the average selling price of plantation fiber is approximately US\$[●] per cubic meter. For the period from April 1, 2008 to July [●], 2008, as far as we are aware, there is no material decrease in the Company's sales volume of plantation fiber or the average selling price of plantation fiber as compared to the corresponding period in the preceding year.

This certificate is being furnished to the Initial Purchasers solely to assist them in conducting their "due diligence" investigation of the disclosure concerning the Company and its subsidiaries in connection with the Offering. This certificate may not be used for any other purposes or relied upon by any other person without our prior written consent.

IN WITNESS WHEREOF, on behalf of the Company (and without personal liability), we hereby set our hands this [●] day of July 2008.

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Allen T.Y. Chan  
Chief Executive Officer

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Dave J. Horsley  
Chief Financial Officer

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS  
AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST  
CORPORATION

Court of Appeal File No. M42068  
Commercial List Court File No. CV-12-9667-00CL

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***COURT OF APPEAL FOR ONTARIO***

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**MOTION RECORD OF THE  
UNDERWRITERS**

(responding to the motion for leave to appeal  
from the Sanction Order)

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**VOLUME I OF IV**

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**TORYS LLP**

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Lawyers for the Underwriters