



SINO-FOREST

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# CORPORATE PRESENTATION

## FIRST QUARTER 2008

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May 16, 2008

FORESIGHT & INSIGHT

# FORWARD-LOOKING STATEMENTS

This presentation contains projections and forward-looking statements which reflect management's expectations regarding Sino-Forest's future growth, results of operations, performance, business prospects and opportunities. Such statements are not guarantees of future performance of Sino-Forest and are subject to risks and uncertainties that could cause actual results and the Corporation's plans and objectives to differ materially from those expressed in the forward-looking statements. Such risks and uncertainties include, but are not limited to --- our ability to acquire rights to additional standing timber, ability to meet the expected plantation yields, the cyclical nature of the forest products industry and price fluctuation in and the demand and supply of logs, reliance on joint venture partners, authorized intermediaries, key customers, suppliers and third party service providers, our ability to operate our production facilities on a profitable basis, changes in currency exchange rates and interest rates, and PRC economic, political and social conditions and government policy, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

# CONTENT

ABOUT SINO-FOREST

INDUSTRY DYNAMICS

STRATEGIC PLAN

OPERATIONS

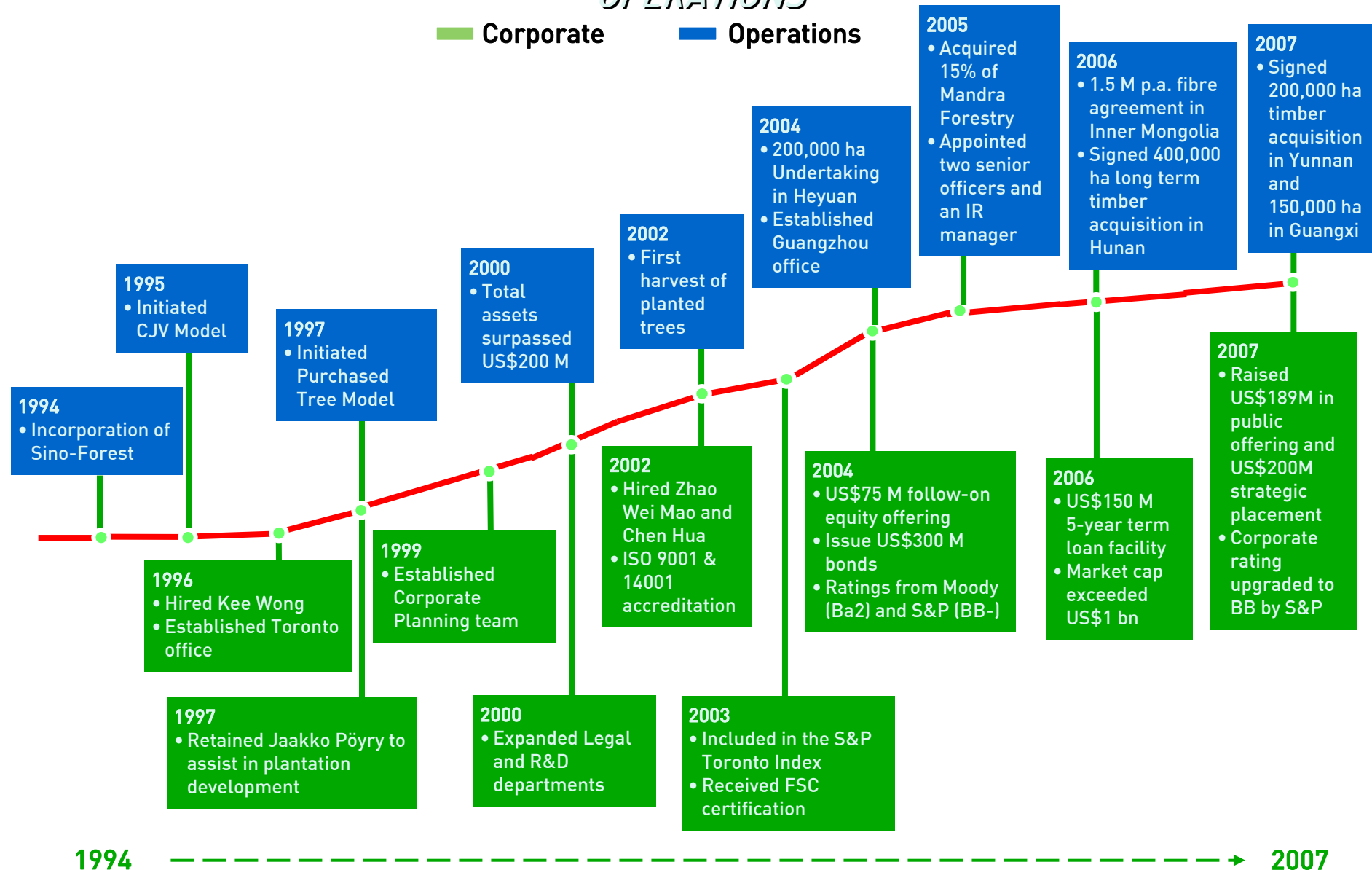
FINANCIAL HIGHLIGHTS

APPENDIX

# PROVEN SUCCESS IN MANAGING GROWTH

## OPERATIONS

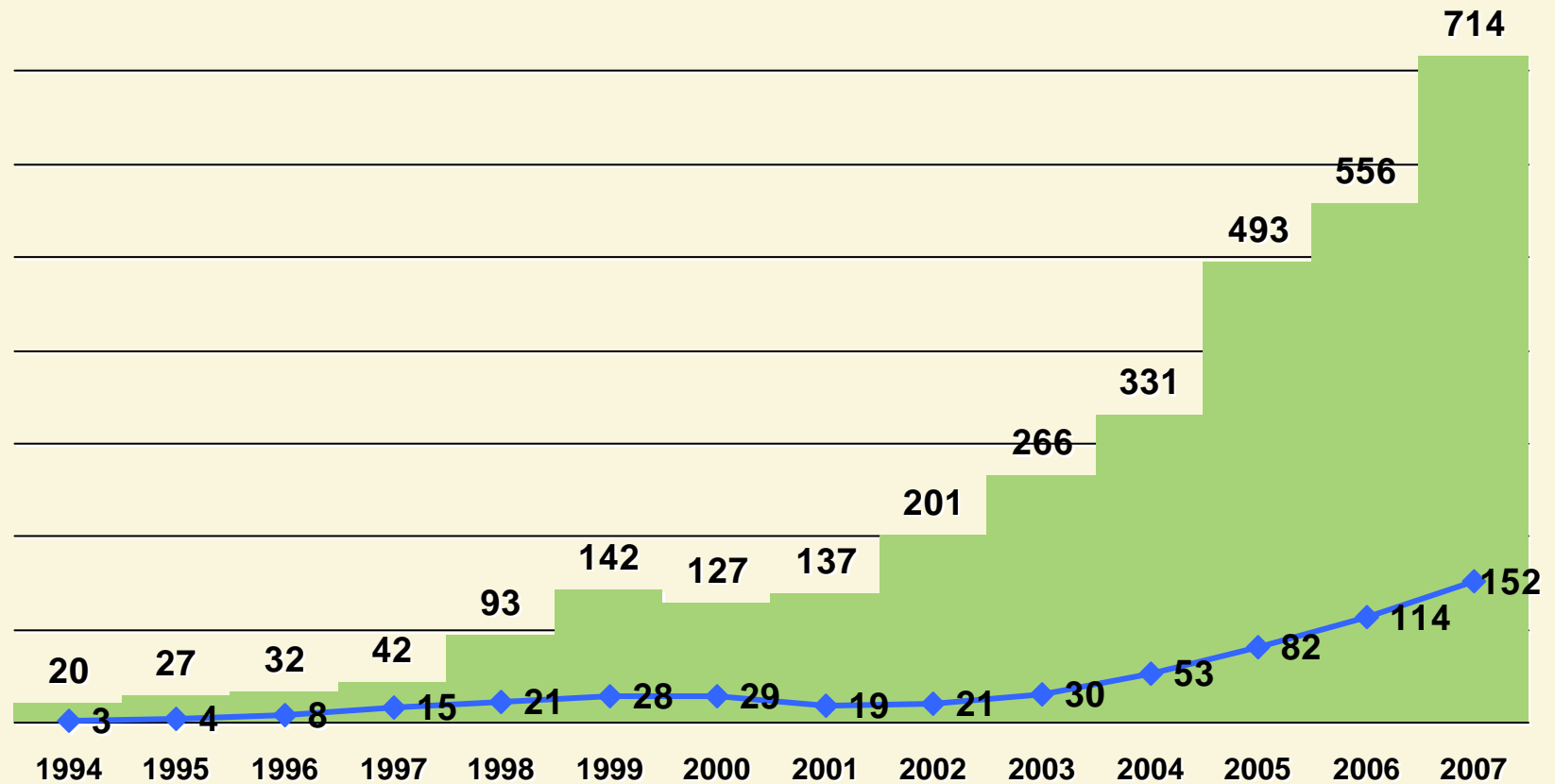
— Corporate      — Operations



# STRONG GROWTH RECORD

Revenue CAGR 31% ; Net Income CAGR 35%

(\$millions)



Revenue

Net Income

# EXPERIENCED MANAGEMENT TEAM

Allen Chan, *CEO & Founder*



- Co-founded the Company in 1992
- Specialised in management and project consultancy on town planning, hospitality and forestry industry with two decades of experience
- An academic and a columnist on management-related topics

K.K. Poon, *President*



- Co-founded the Company in 1992
- Former engineer with the Guangdong Forestry Bureau for 15 years. Engaged in forestry trading and wood product manufacturing since 1979
- Graduated from Chungnam Forestry University, Guangdong, PRC

Dave Horsley, *SVP & CFO*



- Joined the Company in 2005; previously member of Audit, Compensation, and Corporate Governance Committees
- Former CFO of Cygnal Technologies Corporation;
- Canadian Institute of Chartered Accountants, and Institute of Chartered Business Valuators

Chen Hua, *SVP – Administration & Finance, China*



- Joined the Company in 2002
- Previously board chair of Suzhou New-Development Area Economic Development Group, and managed large corporations and gained access to capital markets in China

Albert Ip, *SVP – Development & Operations, North-east & South-west China*



- Joined the Company in 1997
- Specialises in project establishment and production management; Alpert Ip heads the Sino-Panel operations
- Graduated from the University of Ottawa, Canada in 1984 with a degree in mechanical engineering and project management

Zhao Wei Mao, *SVP – Development Operations, South & East China*



- Joined the Company in 2002;
- Previously General Manager of Everbright Group Corp with extensive experience in wood product manufacturing and knowledge of international wood material markets

# CORPORATE GOVERNANCE

## INDEPENDENT DIRECTORS

### James (Jamie) M.E. Hyde, *Toronto*



- Director since 2004, chair of Audit Committee and member Corporate Governance Committee;
- Previously VP, Finance and CFO, GSW Inc.;
- Former Partner, Ernst & Young, where he provided for 24 years a broad range of professional services to public and private companies.

### Edmund Mak, *Vancouver*



- Director since 1994, member of Audit Committee;
- Engaged in real estate marketing for Re/Max Select Properties;
- 30 years experience with public, multi-national and private corporations in North America and Hong Kong, in the real estate, computer and high technology equipment, transportation, construction, oil & gas, textile and China trade industries.

### W. Judson Martin, *Toronto*



- Lead director; director since 2006, chair of Compensation and Corporate Governance Committees, member of Audit Committee;
- Previously Senior EVP & CFO of Alliance Atlantis Communications Inc., Senior EVP, CFO & Chief Operating Officer, MDC Corporation, President & CEO, Trilon Securities Corporation, EVP & CFO, Brookfield Development Corporation, Vice President Finance, Trizec Corporation Ltd.

### Simon Murray, *Hong Kong*



- Director since 1999, member of Compensation Committee;
- Chairman, GEMS (General Enterprises Management Services (International) Limited);
- 35 years in Asia, Executive Chairman, Asia Pacific, Deutsche Bank Group; founder of Simon Murray & Associates; co-founder, Distacom, and Group Managing Director, Hutchison Whampoa.

### Peter Wang, *Hong Kong*



- Director since 2007;
- Senior Commercial Consultant of Zijing Copper of Zijing Mining Group, a HKG-listed company;
- Has over 30 years experience in Sino-foreign business affairs, predominantly related to petrochemical and mining industries, as well as wood-based panel industries.



# Industry Dynamics

# FORESTRY INDUSTRY DYNAMICS

## DEMAND

- Severe wood deficit due to natural forest logging ban and low forest coverage in PRC
- Roundwood demand in 2006 was approx 160M m<sup>3</sup> for lumber, veneer, reconstituted panels, and pulp production;

Demand  
160M m<sup>3</sup>



Supply came from:  
95M m<sup>3</sup> Domestic logs  
31M m<sup>3</sup> Imported logs/wood chips  
16M m<sup>3</sup> Recovered residual  
+64M m<sup>3</sup> Import processed products

- By 2010, over 10M m<sup>3</sup> of pulpwood required for new mills
- Increasingly urban & middle-income class - home ownership driving demand for furniture, interior decor and wood fixtures;
- Furniture exports to major market i.e. US, Europe and Asia

## SUPPLY

- China has 175M hectares of forest area, less than 5% of world's total
- State-owned plantations(40%) and co-op farmer/private (60%) have low productivity;
- 24M ha of plantation forest allocated for industrial usage; with only 6-7M ha converted to fast-growing high yield plantations (FGHY)
- By 2015, China aims to convert 13.3M ha to FGHY plantations

## REGULATORY

- China's 11<sup>th</sup> 5-year plan encourages FGHY plantations, and rural area development
- Supportive forestry policies jointly issued by seven government ministries in August 2007
  - Full or partial exemption of corporate income tax
  - Waive of forest/cultivation tax levy

Sino-Forest has the first mover advantage as one of the industry pioneers



# Strategic Plan

# OUR GOAL AND STRATEGY

**Goal: 15 to 20 million m<sup>3</sup> fibre output\* by 2010**

## STRATEGY

- **Expand sustainable/long-term wood supply**
  - Increase forest plantation coverage
  - Diversify plantation portfolio geographically
  - Improve trees yield / conversion to fast-growing high yield plantations
- **Explore new ways to lock in wood fibre supply**
  - Create innovative ventures

<i>(cubic meters, m<sup>3</sup>)</i>	Year-ended 2007	Year-ended 2006	Chg (%)
<b>Total Fibre Output*</b>	10.4 million	10.2 million	2
■ <i>contribution from plantations</i>	9.8 million	7.7 million	27

\* Fibre output includes sales of standing timber, wood logs and imported wood products



# Operations

# OUR OPERATION & REVENUE STREAM

## Wood Fibre Operations

### Plantation Fibre



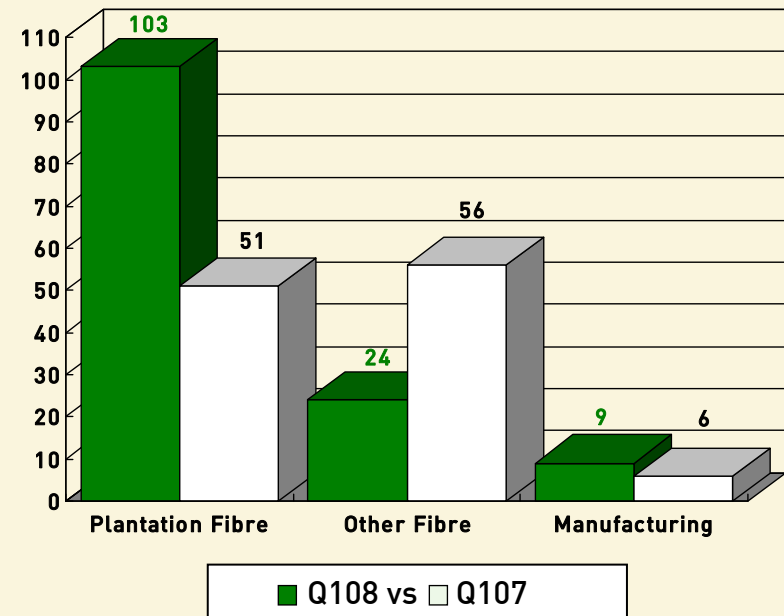
### Other Fibre - Imported Wood Products & Wood Logs



## Manufacturing & Other Operations



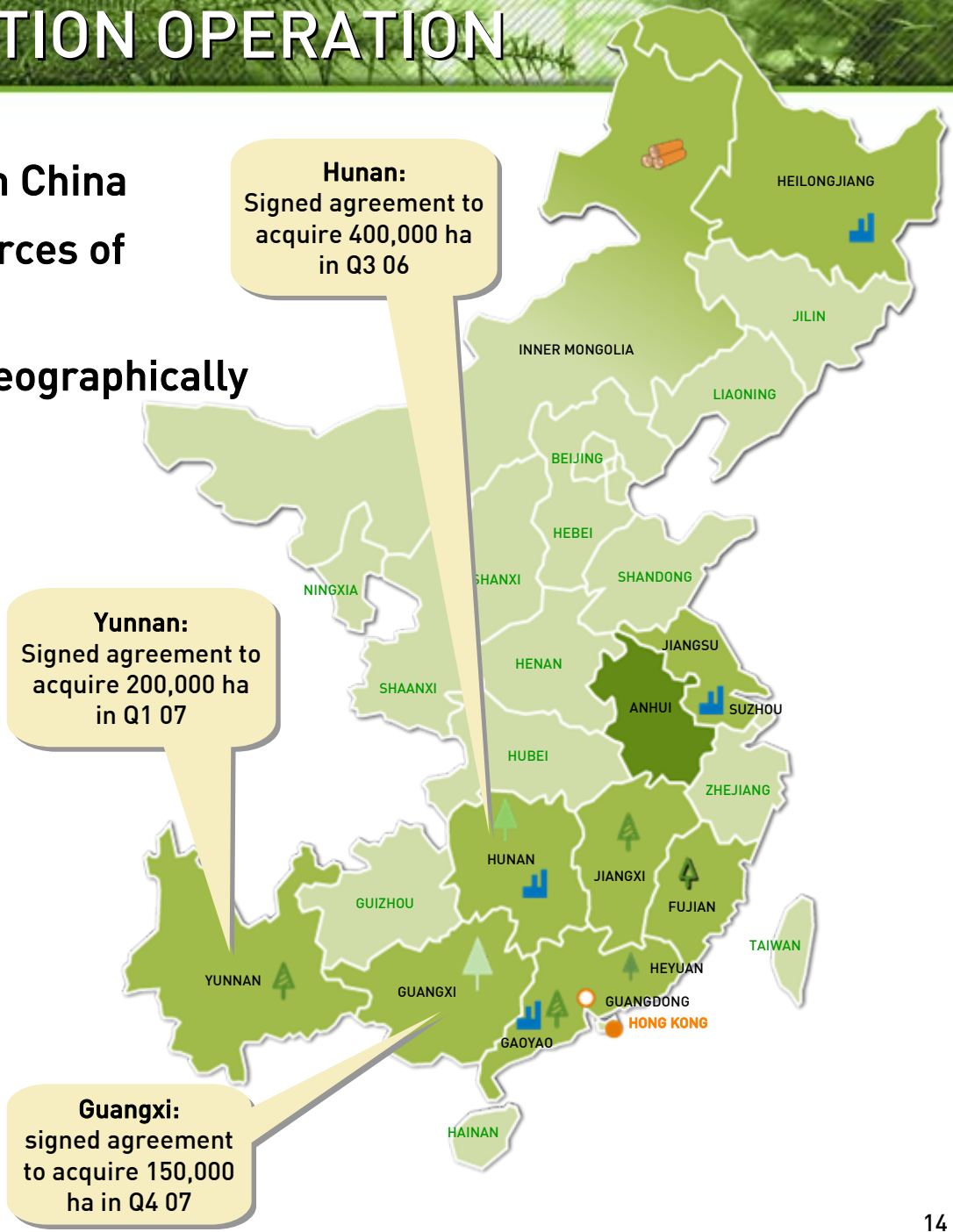
Period	Revenue (US\$'M)	Chg
Q1 08 vs 07	\$136 vs \$113	21%
FY 07 vs 06	\$714 vs \$556	29%



# PLANTATION OPERATION

- Leading supplier of wood fibre in China
- Creating wood baskets near sources of demand
- Expanding inland; diversifying geographically

Plantation Under Management <i>(land with trees planted)</i>	
Period	Hectares
2008 1Q	328,000
2007 (Dec 31)	312,000
2006 (Dec 31)	352,000



# PLANTATION MODELS

## Planted-tree

- Co-operative Joint Venture (“CJV”) with local forestry bureaus who supply barren land; Sino provides plantation expertise and technology;
- Upon maturity, sales split 70% Sino/30% JV partner
- Transitioned to Wholly Foreign-owned Enterprise (“WFOE”) for better control & margins (i.e. pay land rental)
- Capital intensive; good financial returns

## Purchased-tree

- Acquire young trees; improve silviculture; maintain until maturity
- Sell standing timber; customers arrange trees clearance
- Cash generation model; buy at discount to market; capture fibre growth; increases in fibre prices; generate good financial return

## Integrated Model

- Long-term standing timber acquisition - acquire **mature trees** (immediately harvestable)
- Sell logs and/or process logs to increase value of fibre and minimize wastage
- Target: downstream or wood-based manufacturers
- Act as regional **wood resources developer**

*Total hectares of trees under management as at December 31, 2007 is 312,000*

# WOOD RESOURCES MANAGER

## DEAL & ECONOMICS

- Signed three long-term acquisitions agreements in south-west China - Hunan, Yunnan and Guangxi Provinces
- Acquisition price not to exceed Rmb260 per m<sup>3</sup> for Hunan & Yunnan, and Rmb380 per m<sup>3</sup> for Guangxi over indicative deal period
- Gross dollar profit of approximately US\$20-23 per m<sup>3</sup>

## OPERATIONAL PLAN

- Sell fibre in log form to capture different prices for various log sizes and value of residual fibre
- Convert low-yielding forest designated for commercial use to fast-growing, high-yielding plantations
- Re-generate secondary natural forest, obtaining higher value compared to plantation logs, while preserving bio-diversity and ecology

# LONG-TERM TIMBER ACQUISITIONS

## South-west region – Hunan, Yunnan and Guangxi Provinces

- Mature harvestable trees provide immediate cash flow
- Gross dollar profit of approximately US\$20-23 per cubic metre per hectare

Description	Hunan	Yunnan	Guangxi
Hectares to acquire ( <i>ha</i> )	400,000	200,000	150,000
Indicative period ( <i>years</i> )	14	10	5
Species and mature age	Chinese fir, pine	Pine, birch, broadleaved	Chinese fir, pine
Diameter ( <i>cm</i> )	18 - 24	18 - 35	18 - 24
Yield ( <i>m<sup>3</sup>/ha</i> )	100 - 120	105 - 210	100 - 120
Acquisition cost capped ( <i>per m<sup>3</sup></i> )	Rmb260 (~US\$33.6)	Rmb260 (~US\$33.6)	Rmb380 (~US\$51.4)
Gross profit margin	25-28% (Guangxi trees harvest to take place from 2011 onwards to capture high growth)		
<b>Annual basis (<i>assuming an even annual acquisition</i>)</b>			
Hectares ( <i>ha</i> ) ( <i>per p.a.</i> )	average 28,500	average 20,000	average 30,000
Volume of fibre ( <i>m<sup>3</sup>/p.a.</i> )	2.9 - 3.4 million	2.1 - 4.2 million	3 - 3.6 million
Acquisition cost ( <i>Rmb/p.a.</i> )	741 - 889 million	546 - 1,092 million	1.1 - 1.3 billion
<b>Total over term of agreement</b>			
Volume of fibre ( <i>m<sup>3</sup></i> )	40 - 48 million	21 - 42 million	15 - 18 million
Acquisition cost (Rmb)	10.4 - 12.5 billion	5.5 - 10.9 billion	5.7 - 6.8 billion

# PLANTATION VALUATION

## Valuation by independent forestry experts - Pöyry

	Dec. 31, 2007	Dec. 31, 2006	Chg %	Dec 31, 2005
<b>Trees under management</b> <i>(hectare)</i>	<b>312,000</b>	352,000	(11)	324,000
<b>Hectares excluded in valuation -</b> <b>trees under 4 years old</b> <i>(hectare)</i>	<b>45,000</b>	36,000	25	16,775
<b>Value of existing forest assets</b>	<b>\$1.2 billion</b>	\$0.9 billion	35	\$0.7 billion
<b>Value with perpetual rotation</b> <i>(incl. Guangxi, Hunan &amp; Yunnan)</i>	<b>\$3.2 billion</b>	\$1.4 billion	124	\$1.0 billion
<b>Total volume</b> <i>(m<sup>3</sup>)</i>	<b>31.3 million</b>	27.4 million	14	23.8 million
<b>Average yield</b> <i>(m<sup>3</sup> per hectare)</i>	<b>117</b>	87	34	78

NB: Discount rate of 11.5% applied to future cash flows generated from sale of forest assets

## IMPORTED WOOD PRODUCTS

- Imports large diameter logs, veneer and other wood-based products
- Low risk, low margin – 3% GP margin
- Logs imported from Russia, Suriname, Papua New Guinea and other nearby countries
- Provides market intelligence
- Builds client base
- Strategy: expand global sourcing network – South America, Australasia


## WOOD LOGS

- Access to domestic logs
  - From PRC suppliers and sell to domestic market
- Long-term wood fibre access in Inner Mongolia
  - 1.5 million m<sup>3</sup> of logs over 12 years; (contract signed in July 06) fixed RMB80 (~US\$10) discount to market price; 5 to 10% GP margin
  - Pöyry estimated to generate pre-cash flow earnings of US\$12.9M p.a. for next 12 years
  - Acquired 17,000 m<sup>3</sup> of fibre as at Dec 31, 07

# MANUFACTURING & OTHER OPERATIONS

- **Particle Board, Gaoyao, Guangdong Province**
  - Particleboard: 100,000 m<sup>3</sup> to 275,000 m<sup>3</sup>
  - Lamination: 2M m<sup>2</sup> to 6.4M m<sup>2</sup>
  - Expect expansion to be fully operational in 2008
- **Engineered Flooring, Suzhou**
  - Total capacity: 6.5 M m<sup>2</sup>
- **Oriented Strand Board, Heilongjiang Province**
  - Capacity: 12,000 m<sup>3</sup>
- **Finger-joint Board, Hunan Province**
  - Three mills with anticipated capacity of 68,000 m<sup>3</sup>





# Financial Highlights

# FIRST QUARTER 2008 FINANCIAL HIGHLIGHTS

<i>(US\$ in M); except EPS</i>	FIRST-QUARTER		
	2008	2007 Restated	Chg (%)
Revenue	136	113	21
Gross Profit	47	32	46
Gross Profit Margin	34%	28%	6% pts
EBITDA	74	47	57
Income from Operations	35	24	43
Net Income	15	12	26
Diluted EPS from Continuing Operations	0.09	0.08	2.3
Diluted EPS	0.08	0.08	(3.2)
Net Cash from Operating Activities	63	36	76
CFFO from Continuing Operations	32	46	(31)
Non-operating charges	7.4	0.8	844
Diluted EPS before Non-operating charges	0.12	0.08	50

# YEAR-END 2007 FINANCIAL COMPARISON

<i>(US\$ in M); except EPS</i>	AFTER IMPAIRMENT			BEFORE IMPAIRMENT		
	2007	2006	Chg (%)	2007	2006	Chg (%)
Revenue	714	556	29	714	556	29
Gross Profit	243	175	39	243	175	39
Gross Profit Margin	34	32	2% pts	34	32	2% pts
EBITDA	488	317	54	488	317	54
Net Income from Continuing Operations	142	92	55	163	92	77
Net Income	152	114	34	173	113	53
Diluted EPS from Continuing Operations	0.84	0.66	28	0.97	0.66	47
Diluted EPS	0.90	0.81	11	1.03	0.82	26
CFFO from Continuing Operations	483	264	83	483	264	83

# SEGMENT - PLANTATION FIBRE

	FIRST-QUARTER		
	2008	2007	Chg (%)
<b>Revenue (US\$ in M)</b>	<b>\$103</b>	<b>\$51</b>	<b>100</b>
- Purchased	\$50.2	\$49.4	2
- Planted	\$0.07	0.5	(83)
- Heyuan Pine Undertaking	-	\$1.5	NA
- Integrated	\$52.3	-	NA
<b>Average selling price (US\$ per ha)</b>	<b>\$7,609</b>	<b>\$4,175</b>	<b>82</b>
- Purchased	\$5,476	\$4,430	24
- Planted	\$1,203	\$1,739	(31)
- Heyuan Pine Undertaking	-	\$1,667	NA
- Integrated	\$12,306	-	NA
<b>Average selling price (US\$ per m<sup>3</sup>)</b>			
- Purchased and Planted	\$58	\$50	16
- Integrated	\$103	-	NA

■ Blended gross margin from integrated plantation is about 28% or US\$28 per m<sup>3</sup> per ha

■ Anticipate harvesting for integrated plantation for 2008:

Hunan

20,000 hectares

Yunnan (secondary natural forest; no clear cutting)

20% of every 10,000 hectares

# SEGMENT - PLANTATION FIBRE

	FIRST-QUARTER		
	2008	2007	Chg (%)
<b>Trees hectare sold (<i>hectares</i>)</b>	<b>13,493</b>	<b>12,291</b>	<b>10</b>
– <i>Purchased</i>	<i>9,175</i>	<i>11,150</i>	(18)
– <i>Planted</i>	<i>64</i>	<i>261</i>	(75)
– <i>Heyuan Pine Undertaking</i>	<i>-</i>	<i>880</i>	NA
– <i>Integrated</i>	<i>4,254</i>	<i>-</i>	NA
<b>Total fibre sold (<i>m<sup>3</sup></i>)</b>	<b>1,372,000</b>	<b>1,028,000</b>	<b>33</b>
– <i>Purchased, Planted and Heyuan Pine Undertaking</i>	<i>863,000</i>	<i>1,028,000</i>	(16)
– <i>Integrated plantations</i>	<i>509,000</i>	<i>-</i>	NA
<b>Average yield (<i>m<sup>3</sup> per hectare</i>)</b>	<b>102</b>	<b>84</b>	<b>21</b>
– <i>Purchased, Planted and Heyuan Pine Undertaking</i>	<i>93</i>	<i>84</i>	11
– <i>Integrated</i>	<i>120</i>	<i>-</i>	NA

# SEGMENT – OTHER FIBRE

<i>(US\$ in M)</i>	FIRST-QUARTER		
	2008	2007	Chg (%)
Revenue	24	56	(57)
- Imported Logs	24	55	(56)
- Wood Logs	0.1	0.07	(50)

- **Imported wood products** -- revenue decreased due to lower sales volume from Russia as log export duties increased significantly
- **Wood logs** – down due to limited harvesting of secondary natural forest in Inner Mongolia; local partner decided to wait for further details on the Russian export tariffs

# SEGMENT - MANUFACTURING OPERATIONS

	FIRST-QUARTER			YEAR-ENDED		
	2008	2007	Chg (%)	2007	2006	Chg (%)
Revenue (US\$ in M)	9	6	63	38	24	60

- Revenue increased mainly from engineered-wood flooring operation and new sales from Hunan



# CAPITAL EXPENDITURES

<i>(US\$ in M)</i>	FIRST-QUARTER		
	2008	2007	Chg (%)
Acquisition of trees	\$78	\$74	6
Trees acquired <i>(hectare)</i>	27,706	14,416	92
Average purchase price (per hectare)	\$2,812	\$5,105	(45)
Re-planting	\$4	\$3	29
Manufacturing	\$10	\$1	900
<b>Total:</b>	<b>\$92</b>	<b>\$78</b>	<b>18</b>

<i>(US\$ in M)</i>	ANTICIPATED SPENDING FOR 2008
Plantation Tree Acquisition	} \$700+
Re-planting and Maintenance	
Manufacturing Operations	\$30
<b>Total:</b>	<b>\$730+</b>

- Accelerate trees acquisition - access to 750,000 ha of trees and land lease rights in Guangxi, Hunan and Yunnan
- Ramp up integrated and manufacturing operations to maximize usage and value of wood fibre

# INVESTMENT DYNAMICS (TSX:TRE)

## FIRST QUARTER 2008

*\* As of May 14, 2008*

Share price*	<i>Cdn\$</i>	\$16.90
	<i>US\$</i>	\$16.83
Market capitalization*	<i>Cdn\$</i>	\$3.09 billion
	<i>US\$</i>	\$3.07 billion
52-week range*	<i>Cdn\$</i>	\$11.76 – 26.15
EPS (diluted)	<i>US\$</i>	\$0.08
NAV per share		6.93
Price to Book*		2.43
Price to Earnings*		19.57
Net Debt / Total Capital		20%
Long Term Debt / Equity		35%

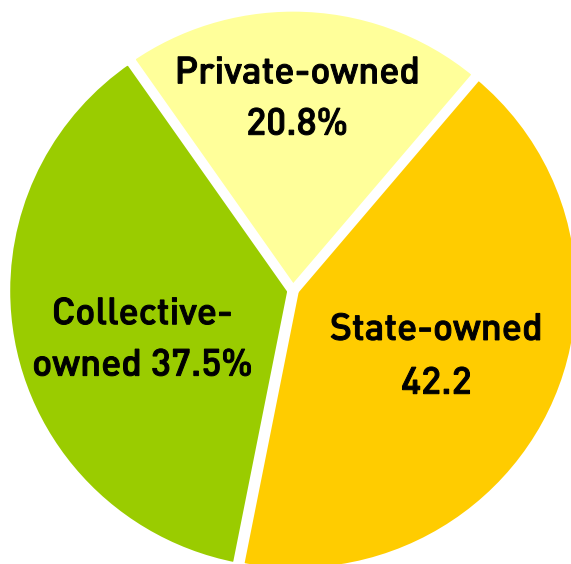
# INVESTMENT HIGHLIGHTS

- Industry leader and preferred supplier of quality wood fibre
  - Strategically located near huge PRC markets with fast-growing demand
  - Forest product expertise and valuable business relations
- Diverse operations and income streams in nine provinces
- Ambitious and achievable strategic business plan
  - Building sustainable and integrated operations
- Significant potential for capitalizing on vast growth opportunities, boosting earnings and creating shareholder value

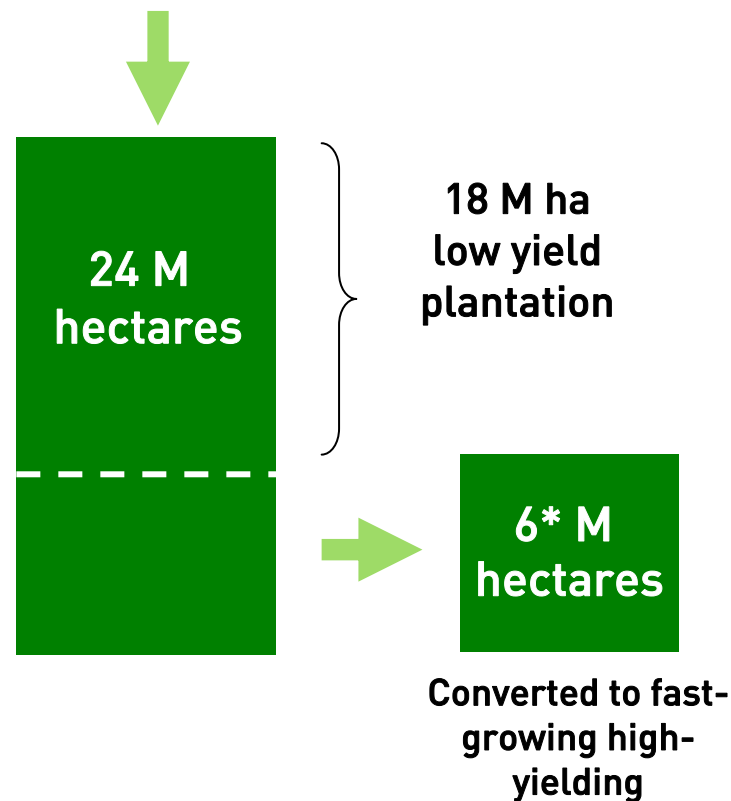
# Appendix

# CHINA'S LAND USE FOR PLANTATION FORESTS

## Wood Fibre Ownership (based on 175 M forested area)



## Plantation Forest *fibre designated for commercial/industrial use*

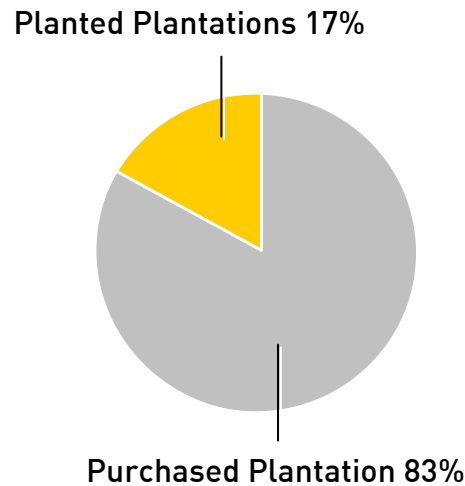
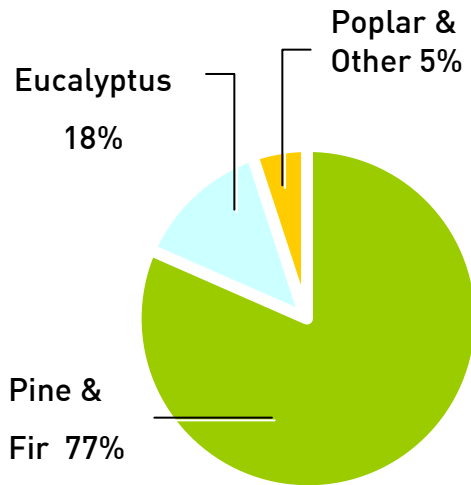


\* China aims to convert 13.3M ha to FGHY plantations by 2015

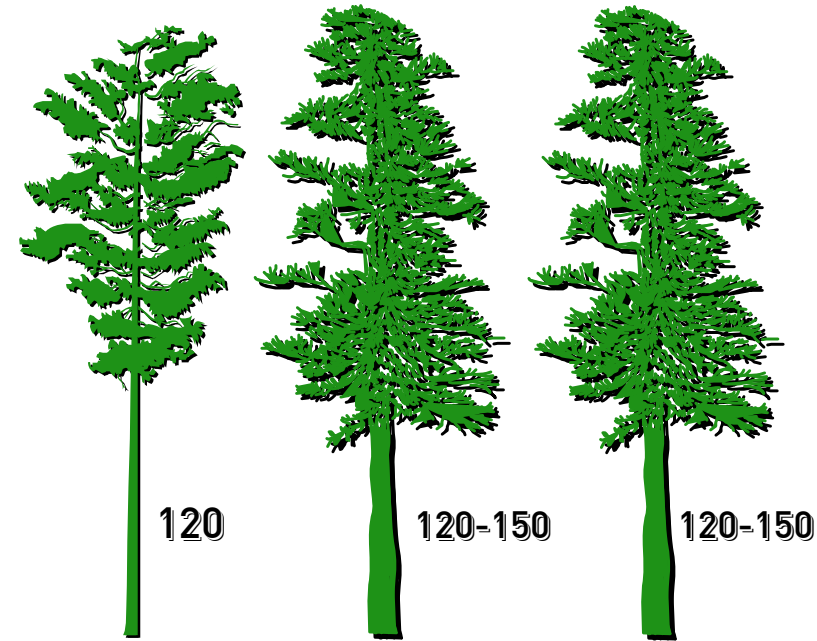
# MAXIMIZING STANDING TIMBER VALUE

*Optimizing Value with High-Yielding, Fast Growing Eucalyptus Trees*

**PLANTATION SIZE**  
328,000 ha (as of Mar 31, 08)



**SINO FOREST GROWTH CYCLES**  
Yield per Cycle per ha (m<sup>3</sup>)



**EUCALYPTUS**  
5-6 years

**PINE**  
12 years

**CHINESE FIR**  
12-15 years

**EUCALYPTUS**  
*(hard wood)*

Wood panels,  
woodchip and  
pulp

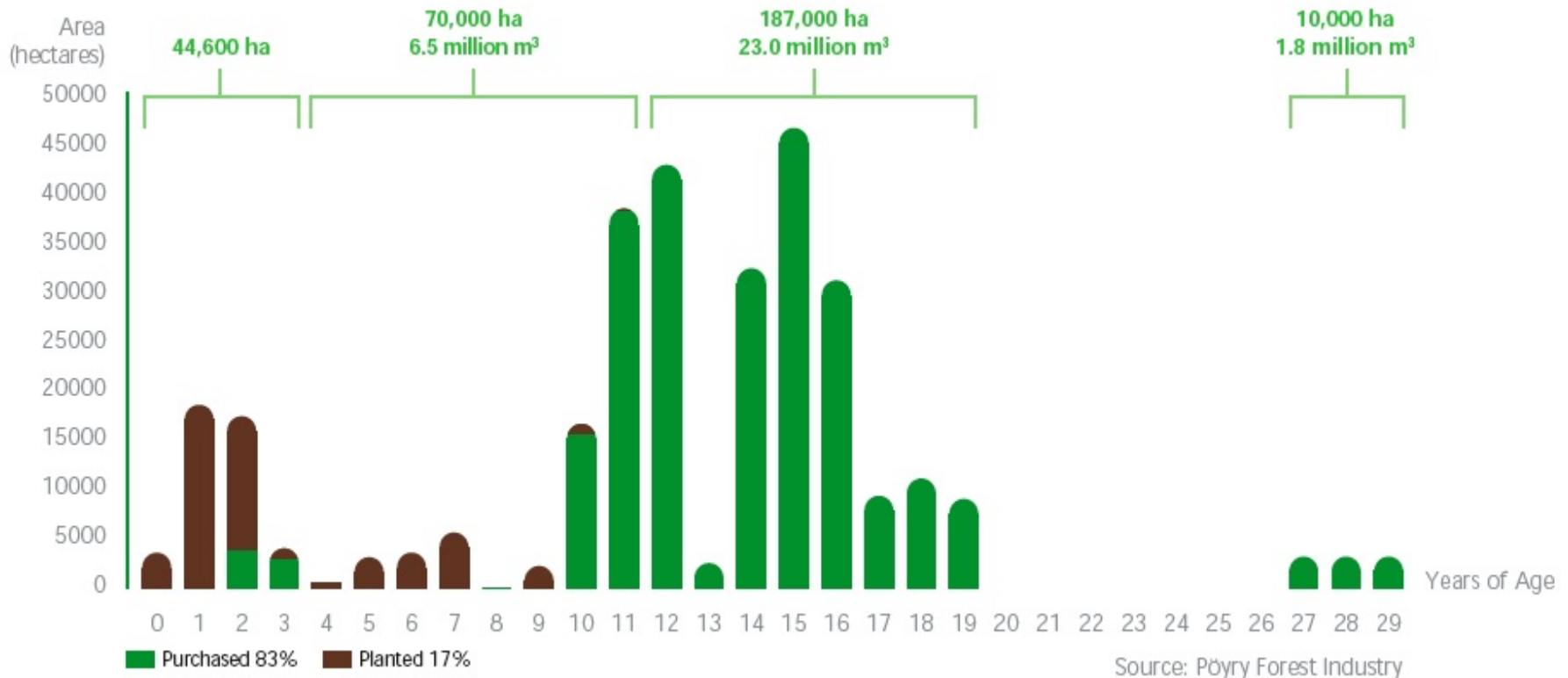
**POPLAR & OTHER**  
*(hard wood)*

Wood panels,  
woodchip, pulp,  
furniture, processed  
wood products

**PINE**  
*(soft wood)*

Wood panels,  
woodchip,  
pulp,  
furniture

# PLANTATION ANALYSIS



## Age (as at 31 December 2007)

### Note:

- Total standing timber under management as at December 31, 2007 is 312,0000 hectares
- Average yield obtained 2007: 117/m<sup>3</sup> per ha vs 2006: 83/m<sup>3</sup> per ha, excludes 45,000 ha trees below age of 4

# SINO-FOREST'S VALUE ADD

## Input Value



Research & development

Genetic improvements

Silviculture practices

Nursery and seedlings

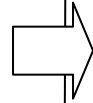
Plantation Management

Environmental practices

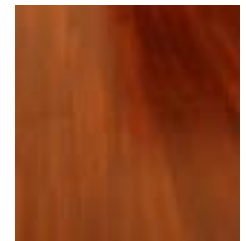
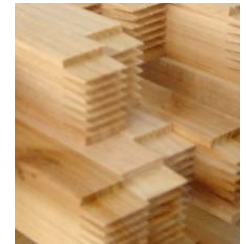
Investment



Photo caption: newly replanted eucalyptus in Gaoyao



## Output Value



- Consistent supply of quality fibre from upstream plantations
- Invest in new technologies to use small- diameter logs
- Maximize wood resources and create value-add while minimizing wastage
- Develop regional wood baskets, attract downstream players to the region

# PLANTATION ACQUISITION PROCESS

## Negotiation

- Identify possible plantation area  
↓
- Approach local forestry bureaus acting as intermediary between Sino and villagers  
↓
- Farmers hold village committee meetings to discuss terms  
↓
- Farmers agree to terms, then authorise local forestry bureaus or third parties to sign agreements

## Acquisition

- Sign long-term timber acquisition agreement with authorised third parties (acquiring trees only, not land)  
↓
- Survey trees/land  
↓
- Sign individual purchase agreement with specifics – i.e. hectare size, yield...etc.

## Harvesting and Sale

### Standing timber model

- Sell trees to customers via authorized dealers  
↓
- Customers arrange to harvest trees  
↓
- Harvesting and payment timeframe 9-18 months  
↓
- Clear & prepare land

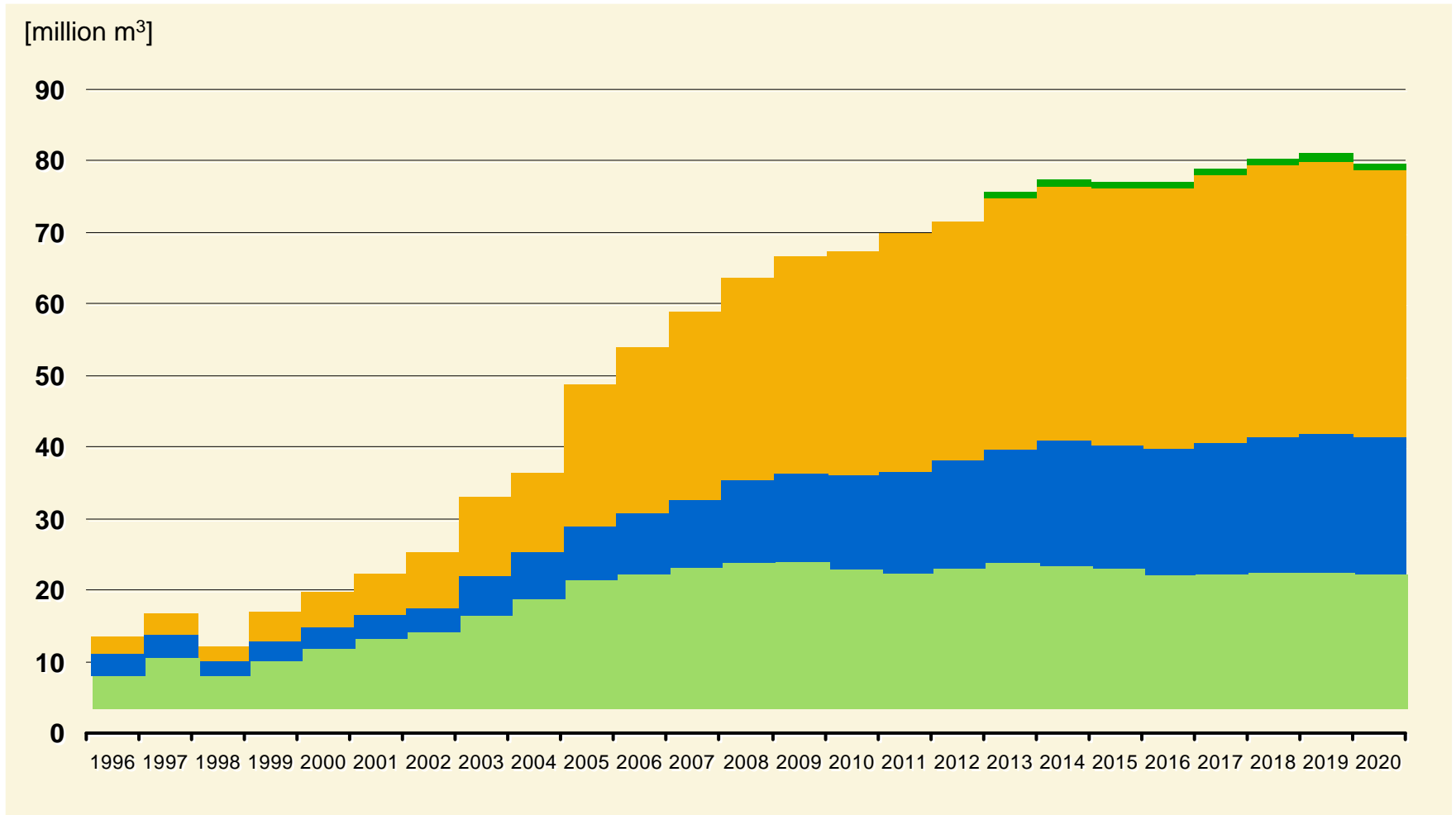
### Integrated model

- Harvest own trees  
↓
- Use logs in downstream operations or sell to market

## Re-planting

- Negotiate terms of land lease with farmers through local forestry bureaus  
↓
- Sign land leases for terms of 30 to 50 years depending on geographical region  
↓
- Prepare land for re-planting  
↓
- If lease term unfavourable, return land to farmers (Sino has first of right refusal to lease)

# MANUFACTURING OUTPUT IN CHINA



Source : Resource Information System, Inc. (RISI) 2006

Plywood

Particleboard

MDF

OSB