

**CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF QUÉBEC  
NO: 200-06-000132-111**

**(Class Action)  
SUPERIOR COURT**

**GUINING LIU** [REDACTED]  
[REDACTED]

Petitioner;

V.

**SINO-FOREST CORPORATION** [REDACTED]  
[REDACTED]

and

**ERNST & YOUNG LLP** [REDACTED]  
[REDACTED]

and

**ALLEN T.Y. CHAN** [REDACTED]  
[REDACTED]

and

**W. JUDSON MARTIN** [REDACTED]  
[REDACTED]

and

**KAI KIT POON** [REDACTED]  
[REDACTED]

and

**DAVID J. HORSLEY** [REDACTED]  
[REDACTED]

and

**WILLIAM E. ARDELL** [REDACTED]

and

**JAMES P. BOWLAND** [REDACTED]

and

**JAMES M.E. HYDE** [REDACTED]

and

**EDMUND MAK** [REDACTED]

and

**SIMON MURRAY** [REDACTED]

and

**PETER WANG** [REDACTED]

and

**GARRY J. WEST** [REDACTED]

and

**PÖYRY (BEIJING) CONSULTING  
COMPANY LIMITED** [REDACTED]

Defendants;

**MOTION TO AUTHORIZE THE BRINGING OF A CLASS ACTION AND TO OBTAIN THE  
STATUS OF REPRESENTATIVE  
(Article 1002 C.C.P. and following)**

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**TO ONE OF THE HONOURABLE JUSTICES OF THE QUEBEC SUPERIOR COURT,  
SITTING IN AND FOR THE DISTRICT OF QUEBEC, YOUR PETITIONER STATES AS  
FOLLOWS :**

**General presentation**

1. The Petitioner wishes to institute a class action on behalf of the following group, of which he is a member (the "Group"):

"All persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011 (the "Class Period")."

or such other group definition as may be approved by the Court.

2. Sino-Forest Corporation (along with its subsidiaries, "Sino") is a public company and its shares were listed for trading at all material times on the Toronto Stock

Exchange (the "TSX") under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the OTC market in the United States as "SNOFF" and on the TradeGate market as "SFJ TH."

3. At all material times, Sino purported to be a legitimate enterprise operating as a commercial forest plantation operator in the People's Republic of China ("PRC"). At all material times, Sino overstated the nature of its forestry operations and misrepresented the fact that its financial reporting had complied with Canadian GAAP, when in fact it had not done so.
4. The relief that the Petitioner seeks includes the following:
  - a) damages in an amount equal to the losses that it and the other Members of the Group suffered as a result of purchasing or acquiring the securities of Sino at inflated prices during the Class Period;
  - b) a declaration that every prospectus, management's discussion and analysis, annual information form, information circular, annual financial statement, interim financial report, Form 52-109F2 and Form 52-109F1 issued by Sino-Forest Corporation after August 12, 2008 (the "Impugned Documents") contained one or more misrepresentations;
  - c) a declaration that Sino-Forest Corporation is vicariously liable for the acts and/or omissions of Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West

(the "Individual Defendants"), and of its other officers, directors and employees;

d) a declaration that Ernst and Young LLP is vicariously liable for the acts and/or omissions of each of its officers, directors, partners and employees; and

e) a declaration that Pöyry (Beijing) Consulting Company Limited is vicariously liable for the acts and/or omissions of each of its officers, directors and employees.

### **The Petitioner**

5. The Petitioner is one of thousands of investors who purchased shares of Sino during the Class Period and continued to hold shares of Sino when the price of Sino's securities declined due to the correction of the misrepresentations alleged herein.
6. During the Class Period, the Petitioner made net purchases of 1,000 Sino shares over the TSX. **[Particulars of the Petitioner's Class Period transactions are attached hereto as P-1].**

### **The Defendants**

7. The defendant Sino purports to be a commercial forest plantation operator in the PRC. Sino is a corporation formed under the *Canada Business Corporations Act*, RSC 1985, c C-44 (the "CBCA").

8. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the OTC market in the United States as "SNOFF" and on the Tradedgate market as "SFJ TH." Sino securities are also listed on alternative trading systems in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino also has various debt instruments, derivatives and other securities which are publicly traded in Canada and elsewhere.
9. The defendants Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang and Garry J. West (the "D&Os") are officers and/or directors of Sino. Each of them are directors and/or officers of Sino within the meaning of the *Securities Act*, RSQ c V-1.1 (the "*Securities Act*").
10. The defendant Ernst & Young LLP ("E&Y") is Sino's auditor. E&Y is an expert of Sino within the meaning of the *Securities Act*.
11. The defendant Pöyry (Beijing) Consulting Company Limited ("Pöyry") is an international forestry consulting firm. Pöyry is an expert of Sino within the meaning of the *Securities Act*.

### **Sino's Continuous Disclosure Obligations**

12. As a reporting issuer in Quebec, Sino was required throughout the Class Period to issue and file with SEDAR:

- within 60 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP including a comparative statement to the end of each of the corresponding periods in the previous financial year;
  - within 140 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year; and
  - contemporaneously with each of the above, management's discussion and analysis of each of the above financial statements.
13. The Defendants issued the disclosure documents referenced herein pursuant to their statutory obligation to do so, and also for the specific purpose of attracting investment in Sino's securities, and inducing members of the public to purchase those securities.

### **The Defendants' Misrepresentations**

14. Throughout the Class Period, Sino falsely purported to be a legitimate enterprise operating as a commercial forest plantation operator in the PRC. As part of its obligations as a reporting issuer in Quebec (and elsewhere), Sino issued the Impugned Documents. In those documents, Sino made statements concerning the nature of its business, its revenues, profitability, future prospects and compliance with the laws of the PRC and of Canada, implicitly and explicitly and through documents incorporated by reference.

15. In fact, such statements were materially false and/or misleading. During the Class Period, Sino overstated its forestry assets, misrepresented its revenue recognition practices, falsely maintained that its financial statements complied with Canadian GAAP and issued materially misleading statements regarding Chinese law and Sino's compliance therewith, among other misrepresentations.
16. On June 2, 2011, however, the truth was at least partially revealed. As a result, the market value of Sino's securities fell dramatically, and the market value for Sino's shares in particular fell by in excess of 70% on extraordinarily heavy trading volume. Trading of Sino common shares was halted on the TSX after a decline in excess of 24% on June 2. When trading resumed on the TSX on June 3, Sino shares fell in excess of a further 63%, for a two-day drop in excess of nearly 73%.

## **The Defendants' Fault**

### **The Defendants Owed Duties to the Members of the Group**

17. The Defendants owed a duty to the Petitioner and to persons and entities similarly situated, at law and under provisions of the *Securities Act* (chapter V-1.1), to disseminate promptly, or to ensure that prompt dissemination of truthful, complete and accurate statements regarding Sino's business and affairs, and promptly to correct previously-issued, materially inaccurate information, so that the price of Sino's publicly-traded securities was based on complete, accurate and truthful information.
18. At all times material to the matters complained of herein, each of the Defendants knew or ought reasonably to have known that the trading price of Sino's publicly



traded securities was directly influenced by the statements disseminated by the Defendants concerning the business and affairs of Sino.

19. As such, the Defendants knew or ought reasonably to have known that a failure to ensure that Sino's disclosures referenced herein were materially accurate and materially complete would cause Sino's securities to become inflated, and thus would cause damage to persons who invested in Sino's securities while their price remained inflated by such false statements.

### **The Defendants Violated their Duties**

20. Certain statements made by Sino and the D&Os in the Impugned Documents were materially false and/or misleading. The Petitioner and the Members of the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Members of the Group were injured thereby. The Petitioner and the Group plead negligent misrepresentation as against Sino and the D&Os.
21. Sino's internal controls, which were designed and/or maintained by the D&Os, were inadequate or ignored. The D&Os owed a duty of care to the Petitioner and the Members of the Group to properly design and/or maintain such internal controls. The Petitioner and the Group plead negligence as against the D&Os in connection thereto.
22. E&Y made statements in certain of the Impugned Documents that were continuous disclosure documents that the audited financial statements contained or incorporated by reference therein "present fairly, and in all material respects,

the financial position of [Sino] [...] and the results of its operations and cash flows [...] in accordance with Canadian generally accepted accounting principles” (or similar language). Such statements were materially false and/or misleading, and E&Y lacked a reasonable basis to make such statements when E&Y made them. E&Y knowingly prepared its reports for use by Sino’s security holders and prospective security holders. The Petitioner and the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and the true value of Sino’s securities became clear, the Petitioner and the Group were injured thereby. In respect of Sino’s continuous disclosure documents, the Petitioner and the Group plead negligence and negligent misrepresentation as against E&Y.

23. E&Y made statements in those of the Impugned Documents that are prospectuses that the Sino financial statements contained or incorporated by reference therein “complied with Canadian generally accepted standards for an auditor’s involvement with offering documents” (or similar language). Such statements were materially false and/or misleading, and E&Y lacked a reasonable basis to make such statements when E&Y made them. E&Y knowingly prepared its reports for use by Sino’s security holders and prospective security holders. The Petitioner and the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino’s securities became clear, the Petitioner and the Group were injured thereby. The Petitioner and the Group plead negligence and negligent misrepresentation as against E&Y in respect of Sino’s Class Period prospectuses.

24. Pöyry made statements regarding the nature of Sino's operations in reports dated on or about May 31, 2011, May 27, 2011, April 23, 2010 and April 2, 2009. Such statements were materially false and/or misleading, and Pöyry lacked a reasonable basis to make such statements when Pöyry made such statements. Pöyry knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Members of the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Members of the Group were injured thereby. The Petitioner and the Members of the Group plead negligence and negligent misrepresentation as against Pöyry.
25. At all times material to the matters complained of herein, each of the Defendants ought to have known that Sino's disclosure documents described herein were materially misleading as detailed above. Accordingly, the Defendants have violated their duties to the Petitioner and to persons or entities similarly situated.
26. The reasonable standard of care expected in the circumstances required the Defendants to act fairly, reasonably, honestly, candidly and in the best interests of the Petitioner and the other Members of the Group.
27. The Defendants failed to meet the standard of care required by issuing Sino's disclosure documents during the relevant period, which were materially false and/or misleading as described above.
28. The negligence of the Defendants resulted in the damage to the Petitioner and Members of the Group as pleaded.

## **The Relationship Between Sino's Disclosures and the Price of Sino's Securities**

29. The price of Sino's securities was directly affected during the Class Period by the issuance of the disclosure documents described herein. The Defendants were aware at all material times of the effect of Sino's disclosures upon the price of its Sino's securities.
30. The disclosure documents referenced above were filed, among other places, with SEDAR and the TSX and thereby became immediately available to, and were reproduced for inspection by, the Members of the Group, other members of the investing public, financial analysts and the financial press.
31. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino's securities. Sino provided either copies of the above referenced documents or links thereto on its website.
32. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of press releases on newswire services in Canada, the United States and elsewhere. The price of Sino's securities was directly affected each time SINO communicated new material information about Sino's financial results to the public.
33. Sino was the subject of analysts' reports that incorporated material information contained in the disclosure documents referred to above, with the effect that any recommendations in such reports during the Class Period were based, in whole or in part, upon that information.

34. Sino's securities were and are traded on efficient and automated markets. The price at which Sino's securities traded promptly incorporated material information about Sino's business and affairs, including the omissions and/or misrepresentations described herein, which were disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

### **Statutory Liability for Misrepresentations – Secondary Market**

35. Each of the Impugned Documents is a "Core Document" within the meaning of the *Securities Act*.

36. Each of the Impugned Documents contained one or more misrepresentations.

37. Each of the D&Os was an officer and/or director of Sino at all material times. Each of the D&Os authorized, permitted or acquiesced in the release of some or all of the Impugned Documents.

38. Sino is a reporting issuer within the meaning of the *Securities Act*.

39. Pöyry is an expert within the meaning of the *Securities Act*.

40. E&Y is an expert within the meaning of the *Securities Act*.

41. The Petitioner and the Group assert the causes of action set forth in Title VIII, Chapter II, Division II of the *Securities Act* as against Sino, Pöyry, the D&Os and E&Y and will seek leave, if and as required, in connection therewith.

### **Statutory Liability for Misrepresentations – Primary Market**

42. Sino issued prospectuses on December 11, 2009 and June 1, 2009 (the "Prospectuses," both of which are Impugned Documents).
43. The defendants E&Y, Chan, Horsley, Martin and Hyde signed the Prospectuses.
44. The Prospectuses contained one or more misrepresentations within the meaning of the *Securities Act*.
45. The Petitioner and the Group plead the cause of action found in Title VIII, Chapter II, Division I of the *Securities Act* as against all Defendants.

### **Vicarious Liability of Sino**

46. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.
47. The acts or omissions particularized and alleged herein to have been done by Sino were authorized, ordered and done by the Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

### **Damages**

48. As a result of the acts and omissions described above, the Petitioner and the other Members of the Group were induced to over-pay substantially for Sino's

securities. Such persons and entities have suffered damages equivalent to the loss in market value that occurred when Sino corrected the Misrepresentations.

49. The Petitioner and other Members of the Group are also entitled to recover, as damages or costs, the costs of administering the plan to distribute the recovery in this action.

**Conditions required to institute a class action**

50. The composition of the Group makes the application of article 59 or 67 C.C.P. impracticable for the following reasons:

- The number of persons included in the group is estimated to be several thousand;
- The names and addresses of persons included in the group are not known to the Petitioner (but are likely to be known to Defendants);
- All the facts alleged in the preceding paragraphs make the application of articles 59 or 67 C.C.P. impossible.

51. The claims of the Members of the Group raise identical, similar or related questions of fact or law, namely:

- Did the Defendants authorize or issue false and/or misleading public information?
- Did the Defendants' Misrepresentations cause the share price of Sino's stock to be artificially inflated during the Class Period?

- Did the Defendants therefore commit a fault towards the Petitioner and the Members of the Group, thereby engaging their liability?
- What prejudice was sustained by the Petitioner and the Members of the Group as a result of the Defendants' faults?
- Are the Defendants jointly responsible for the damages sustained by each of the members?

52. The interests of justice weigh in favour of this motion being granted in accordance with its conclusions.

#### **Nature of the action and conclusions sought**

53. The action that the Petitioner wishes to institute for the benefit of the Members of the Group is an action in damages;

54. The conclusions that the Petitioner wishes to introduce by way of a motion to institute proceedings are:

**GRANT** the Petitioner's action against the Defendants;

**CONDEMN** Defendants to pay to the Members of the Group compensatory damages for all monetary losses;

**GRANT** the class action of the Petitioner on behalf of all the Members of the Group;

**ORDER** the treatment of individual claims of each Member of the Group in accordance with articles 1037 to 1040 C.C.P.;



**THE WHOLE** with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses including expert fees and notice expenses;

55. The Petitioner suggests that this class action be exercised before the Superior Court in the district of Quebec for the following reasons:

- A great number of the Members of the Group resides in the judicial district of Montreal and in the appeal district of Quebec;
- The Petitioner and his lawyers are domiciled in the district of Quebec.

56. The Petitioner, who is requesting to obtain the status of representative, will fairly and adequately protect and represent the interest of the Members of the Group for the following reasons:

- He understands the nature of the action;
- He is available to dedicate the time necessary for an action to collaborate with Members of the Group; and
- His interests are not antagonistic to those of other Members of the Group.

57. The present motion is well-founded in fact and in law.

**FOR THESE REASONS, MAY IT PLEASE THE COURT:**

**GRANT** the present motion;

**AUTHORIZE** the bringing of a class action in the form of a motion to institute proceedings in damages;

**ASCRIBE** the Petitioner the status of representative of the persons included in the group herein described as:

“All persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011 (the “Class Period”).”

or such other class definition as may be approved by the Court.

**IDENTIFY** the principle questions of fact and law to be treated collectively as the following:

- Did the Defendants authorize or issue false and/or misleading public information?
- Did the Defendants’ Misrepresentations cause the share price of Sino’s stock to be artificially inflated during the Class Period?
- Did the Defendants therefore commit a fault towards the Petitioner and the Members of the Group, thereby engaging their liability?

- What prejudice was sustained by the Petitioner and the Members of the Group as a result of the Defendants' faults?
- Are the Defendants jointly responsible for the damages sustained by each of the Members of the Group?

**IDENTIFY** the conclusions sought by the class action to be instituted as being the following:

**GRANT** the Petitioner's action against the Defendants;

**DECLARE** that the Defendants made the Misrepresentations during the Class Period;

**DECLARE** that the Defendants made the Misrepresentations negligently;

**DECLARE** that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants;

**CONDEMN** Defendants to pay to the Members of the Group compensatory damages in the amount of 4 billion\$, or such other sum as this Court finds appropriate for all monetary losses;

**GRANT** the class action of the Petitioner on behalf of all the Members of the Group;

**ORDER** the treatment of individual claims of each Member of the Group in accordance with articles 1037 to 1040 C.C.P.;

**THE WHOLE** with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses including expert fees and notice fees;

**DECLARE** that all Members of the Group that have not requested their exclusion from the Group in the prescribed delay to be bound by any judgement to be rendered on the class action to be instituted;

**FIX** the delay of exclusion at 30 days from the date of the publication of the notice to the Members of the Group;

**ORDER** the publication of a notice to the Members of the Group in accordance with article 1006 C.C.P.;

**THE WHOLE** with costs to follow.

Quebec, June 9, 2011

(s) SISKINDS, DESMEULES

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SISKINDS, DESMEULES, AVOCATS

(Me Simon Hébert)

Lawyer for the Petitioner

## **SCHEDULE 1**

### **NOTICE TO DEFENDANT**

Take notice that the plaintiff has filed this action or application in the office of the Superior Court of the judicial district of Québec.

To file an answer to this action or application, you must first file an appearance, personally or by advocate, at the courthouse of Québec located at 300, boul. Jean-Lesage, Québec, G1K 8K6 within 10 days of service of this motion.

If you fail to file an appearance within the time limit indicated, a judgment by default may be rendered against you without further notice upon the expiry of the 10 day period.

If you file an appearance, the action or application will be presented before the court on September 23, 2011, at 9h00 a.m., in room 3.14 of the courthouse. On that date, the court may exercise such powers as are necessary to ensure the orderly progress of the proceeding or the court may hear the case, unless you have made a written agreement with the plaintiff or the plaintiff's advocate on a timetable for the orderly progress of the proceeding. The timetable must be filed in the office of the court.

These exhibits are available on request.

Quebec City June 9, 2011

(s) SISKINDS, DESMEULES

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SISKINDS, DESMEULES, AVOCATS  
(Me Simon Hébert)  
Lawyers for the Petitioner

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
(Class Action)  
SUPERIOR COURT  
NO :

GUINING LIU

Petitioner

v.

SINO-FOREST CORPORATION & ALS

Defendant

*Tim Wu*

**MOTION TO AUTHORIZE THE  
BRINGING OF A CLASS ACTION  
AND TO OBTAIN THE STATUS OF  
REPRESENTATIVE (Articles 1002  
CCP and following)**

BB-6852

Mr. Simon Hébert

N/D : 67-101

Casier 15

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