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Initiating Report

March 14, 2008

MAPLE LEAF REFORESTATION INC.

(TSX-V: MPE, C$0.36)

Recommendation
Speculative Buy

Risk
High

Price (March 13)
$0.36

52-Week Range
$1.61 -$0.115

Target Price
1 Year: $0.75

Potential Return
1-Year: 2.0x

Shares O/S
53.8 million

Market Cap
$19.4 million

Average Daily Volume
20-Day: 52,800
150-Day: 183,600

Year-End
January 31

C$	BVPS	EPS
2006A	$0.04	($0.05)
2007A	$0.05	($0.01)
2008E	$0.08	($0.03)
2009E	$0.16	($0.05)

BVPS: Book Value Per Share
EPS: Book Value Per Share

Analysts
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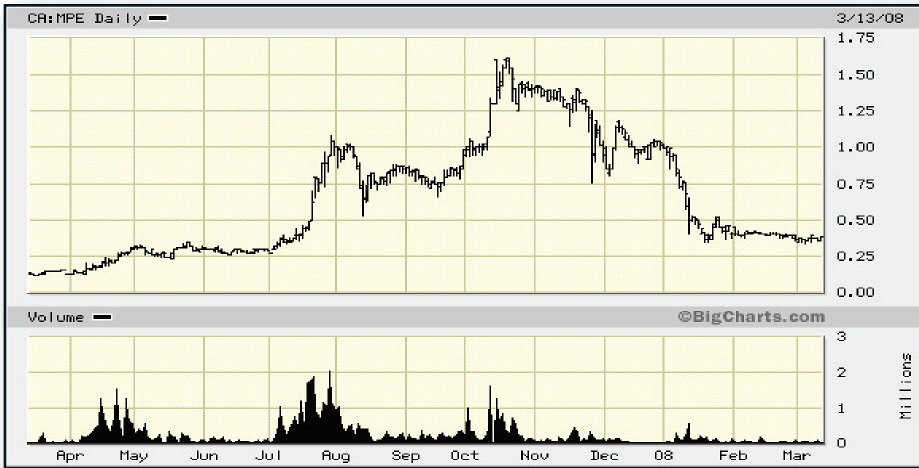

Data Source: www.BigCharts.com

UPFRONT

Maple Leaf Reforestation Inc. is a Canadian company whose products and services are top government priorities in China. The Company has a sound business strategy with steady revenue from greenhouse sales, while its joint ventures offer good growth prospects.

RECOMMENDATION

*e*Research has initiated coverage of Maple Leaf Reforestation Inc. ("Maple Leaf Re" or the "Company") as a Speculative Buy for risk-tolerant investors. Our 12-month Target Price of $0.75 per share is contingent upon new management delivering contracts on time and achieving the corresponding anticipated profitability.

PROFILE

Maple Leaf Re operates a greenhouse in Inner Mongolia that supplies nursery seedlings targeted at China's environmental improvement market. The Company also has two joint ventures: (1) The Yellowhorn tree "anti-desertification", biodiesel, and cooking oil joint-venture project with the Xinjiang provincial government; and (2) A joint-venture with Huize Forestry Co. Ltd of Changzhi, Shanxi Province.

HIGHLIGHTS

- Products and services offered by Maple Leaf Re are top government priorities in China, making the Company eligible for government grants and special tax treatment.
- Greenhouse operation provides steady revenue, while the two joint ventures provide future upside potential.
- Second greenhouse to be completed in time for 2008 cultivation will more than double the existing capacity to 58 million seedlings per year.
- The cooking oil and biodiesel processing plant in Xinjiang is a monopoly guaranteed by the county government.
- Plans include applying for a listing on the Frankfurt Exchange to increase liquidity and market awareness.

CONTENTS

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THE COMPANY

Maple Leaf Re is involved in the following businesses:

1. Greenhouse Nursery Seedlings

Maple Leaf Re operates a greenhouse in Inner Mongolia with capacity for 24 million seedlings a year. The Company plans to construct a second greenhouse this year to increase its capacity to a total of 58 million seedlings per year. Annual revenue from both greenhouses is estimated at C$8-10 million.

2. Yellowhorn Tree "Anti-Desertification", Biodiesel and Cooking Oil Joint Venture with the Xinjiang Government

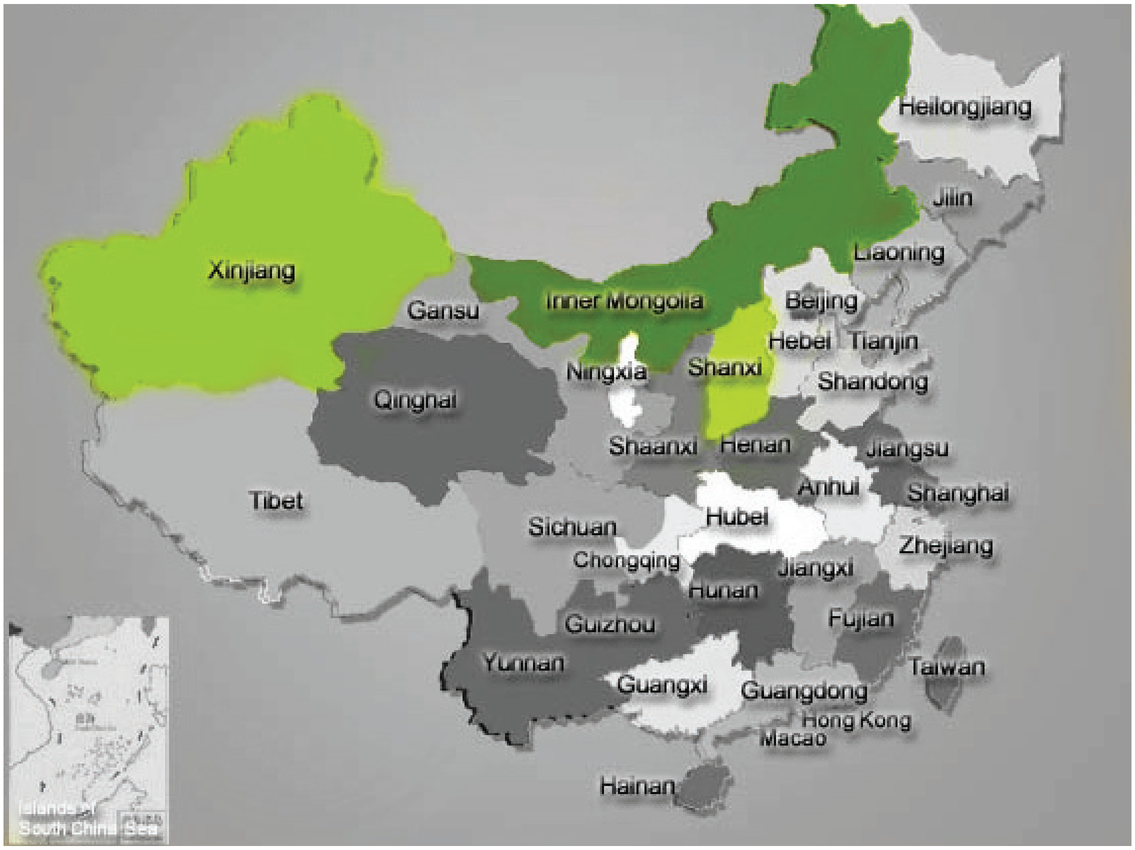
Maple Leaf Re signed a Memorandum of Understanding ("MOU") with Jilin Saar County of Xinjiang Autonomous Region of China ("Jilin"). A three-part arrangement, under the MOU, provides that Jilin will:

- Contribute 68,000 acres (can be increased to 170,000 acres) of land to Maple Leaf Re for up to 70 years for the cultivation of the Yellowhorn trees;
- Assist Maple Leaf Re in obtaining 50 acres of land for no more than C$3,000 per acre for the construction, and guarantee a monopoly for the cooking oil and biodiesel processing plant in the county; and
- Provide subsidies and special tax treatment from the county and assist Maple Leaf Re to apply for similar benefits from the central government for biodiesel production.

3. Joint Venture with Huize Forestry Co. Ltd ("Huize") of Changzhi, Shanxi Province.

Maple Leaf Re has a 52% interest in a strategic alliance with Huize, a forestry products and services provider to Changzhi City. Under the agreement, Huize will invite Maple Leaf Re to participate in all Huize's existing and upcoming contracts with Changzhi City. Changzhi City has a population of 3.12 million, 78% of which is agrarian and covers an area of 13,896 square kilometres. Maple Leaf Re has to make an initial cash advance of $300,000 to the joint venture.

Figure 1: Xinjiang, Inner Mongolia and Shaanxi in Northern China



Source: www.chinaculture.org

INVESTMENT CONSIDERATIONS

A. Positives

1. Rare Monopolistic Opportunity

Under the joint venture, the Jilin Saar County of Xinjiang guarantees a 70-year monopoly to Maple Leaf Re to operate the Yellowhorn oil processing plant in the county.

COMMENT: *Monopolies are rare in the modern-day business world. A monopoly provides certainty to business, guarantees barrier to entry, eliminates competition, and protects profit margins.*

2. Environment Control is a Government Priority

China has long suffered from "desertification" as a result of a lack of vegetation in the northern provinces, principally Inner Mongolia and Xinjiang. During winter months, the north wind carries sand from northern regions and creates sand storms as far south as Beijing. Reforestation has been a national priority for the Chinese government for many years. As a result, there are special grants and tax treatments from all government levels. The Yellowhorn tree is a local species in China, known for its endurance to desert weather. Its deep roots hold the soil well and slow down the "desertification" process.

3. High Operating Margins

The greenhouse operation is a high-profit-margin business in China, perhaps as high as 67%, due to the availability of cheap labour and low operating costs.

4. Short Growing Cycle

The greenhouse operation, with total climate control and a short growing cycle, enables Maple Leaf Re to yield four crops a year. With two greenhouses in full operation, Maple Leaf Re can produce 58 million seedlings a year, with potential annual revenue of $10 million and potential gross margin of $6.7 million.

COMMENT: *A short growing cycle enables Maple Leaf Re to recover quickly from a crop failure.*

B. Challenges

1. Contract Delivery

Maple Leaf Re has had a number of false starts, including construction delays and a series of management changes. The Company was not able to deliver any of the contracts signed in 2007. Recent crop failure resulted in the cancellation of two contracts, eroded shareholder confidence, and sent the share price down.

COMMENT: *New management must demonstrate to its customers that it is able to deliver on time and restore shareholder confidence.*

2. Insurance

Maple Leaf Re guarantees a survival rate of at least 75% to its customers but it has no insurance policies in place to provide for such warranty or for coverage for crop failure. Notwithstanding the recent crop failure, the survival rate can still be a problem with greenhouse nursery seedlings for the following reasons:

i. Seedlings may not survive once they leave the greenhouse and are placed in a natural environment;
ii. Farmers in China are poorly trained and sometimes unable to follow growing instructions;
iii. Failure to deliver or take delivery in excess of three months will create an aging inventory that is not suitable for transplanting, resulting in write-offs.

COMMENT: *Good management and customer support service is essential for future success. Insurance, which is in its infancy in China, may not be available to Maple Leaf Re.*

3. Share Price Volatility

Beset with both management and operating problems, the Company's shares have exhibited considerable volatility over the past 12-18 months.

COMMENT: *Historical share price volatility could send a warning signal to potential investors.*

4. Foreign Exchange Exposure

Maple Leaf Re denominates in Canadian dollars while revenues are in Renminbi ("RMB"), which is pegged to the U.S. dollar at a fixed exchange rate of approximately 7.2 RMB to US$1.00.

COMMENT: *The Company is exposed to foreign currency fluctuation between the U.S. and Canadian dollars, which has been particularly volatile in the past few years.*

5. Country Risk

Corruption is a widespread practice in China, and often interferes with the judicial system. Agreements are frequently difficult to enforce. Business opportunities are dependent upon government policies and the Company's connection with local officials, which requires delicate handling and manipulation. Management's connections and experience in China as well as internal controls are major concerns with companies operating in China.

COMMENT: *Maple Leaf Re appears to have good connections in China. The recent initiation and sponsorship of the "Maple Leaf Anti-Desertification Foundation Fund" and the associated publicity should add to the Company's profile and enhance sales efforts.*

RECENT DEVELOPMENTS

1. Crop Failure in Early January 2008

The crop failure resulted in the loss of two sales contracts totaling C$2.35 million and further delay in cash flow by at least three months. The crop failure was due to water contamination. Maple Leaf Re has since rebalanced the water.

COMMENT: *Although Maple Leaf Re has sufficient sales contracts on hand for full production over the next 12 months, repeated delays in delivery could have adverse effects on future sales. The lack of insurance against crop failure adds to the business risk.*

2. Closing of C$2.17 Million Private Placement

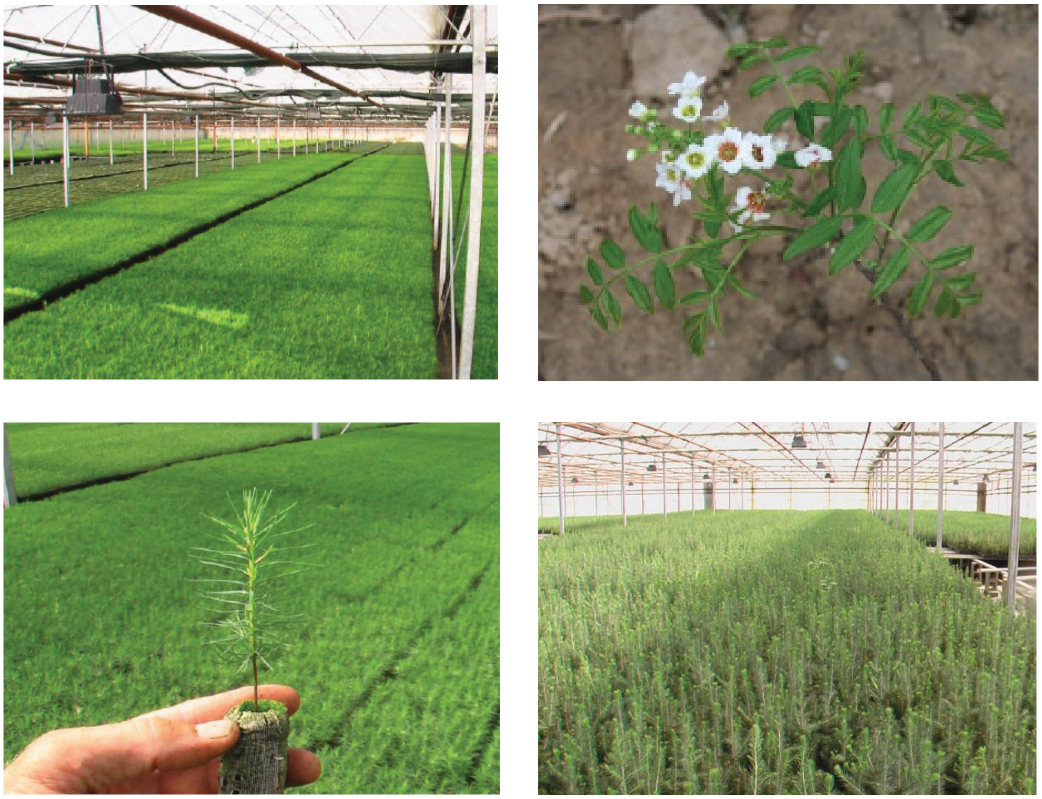
The closing of the financing puts the Company in funds, so that management can focus on its operations. However, due to the recent crop failure and write-offs, we expect the Company will need additional financing of approximately $1 million.

COMMENT: *Maple Leaf Re is trading near the $0.40 per share level. Any new financing would be done at a substantially lower price from the previous financing of $1.50 per unit, which would create dilution and undoubtedly be a disappointment to shareholders.*

3. Management Changes

After a series of management changes in 2007, Maple Leaf Re announced further management changes in 2008. Raymond Lai replaced Michael Hu as Chairman of Maple Leaf Re in January 2008, and Mr. Hu ceased to be a director of the Company in February 2008.

COMMENT: *Frequent management shuffles in the past year have had adverse effects on the Company's operations. Management stability is a key factor for any company and, in the case of Maple Leaf Re, may be dependent upon the Company achieving its 2008 revenue targets.*



Source: Company

FINANCIAL REVIEW AND OUTLOOK

In our projection, we expect Maple Leaf Re's new management to focus on its greenhouse operation in the next 12 months to revive investors' confidence prior to raising capital for the Company's two joint ventures. Total capital requirements for the joint ventures are estimated to be $30 million, of which $20 million is expected to be from equity financing.

Revenue: Maple Leaf Re's projected operating income from nursery seedlings for the year ending January 31, 2009 assumes an operating margin of 67 % and includes a 25% discount to account for a 75% survival guarantee. The projection assumes no further delays from the first greenhouse, which is expected to complete three growing cycles for a total of 18 million seedlings. The projection also assumes that the Company will complete its second greenhouse on time to complete one growing cycle. The Company also expects to generate $1.97 million from its Xinjiang joint venture.

Operating Income: Assuming that the existing greenhouse can complete three growing cycles and a second greenhouse completes one growing cycle in 2008, Maple Leaf Re will be able to deliver 26.5 million seedlings for the year ending January 31, 2009. Current outstanding contracts are approximately 45.6 million seedlings. Gross profit margin is estimated at 67%, with a price per seedling of C$0.18 and cost of goods sold estimated at C$0.06 per seedling. The operating income from the greenhouse operation is estimated at $2.5 million to January 31, 2009, after taking into account a 75% survival guarantee and possible wastage. We also believe that Maple Leaf Re could generate $1.97 million from the sale of 2.1 million kg. of cooking oil from Yellowhorn fruit for the year ending January 31, 2009.

Cash & Cash Equivalents: As at October 31, 2007, Maple Leaf Re had $1,136,297 in cash. The Company closed a private placement for $2,170,000 in December 2007, of which $800,000 will be used as an operating advance for the Xinjiang joint venture.

Working Capital: Projected working capital for the year ending January 31, 2008 includes an inventory write-off of $360,000 to reflect the crop failure. Since payments are made in advance of shipment, there are no provisions for bad debt.

COMMENT: *Although greenhouse operations are not subject to climate changes, seasonality of customers' plantings can affect timing of delivery, collection and wastage. Maple Leaf Re may require additional working capital to finance seasonal cash flow, which generally peaks in Q3 and Q4.*

General and Administration: We projected the total general administration for the year ended January 31, 2008 to be approximately $800,000 exclusive of seedlings write-off of $360,000. General and administration costs are principally incurred by the Canadian operation. It is expected that as the business becomes more active, the Company will incur higher general and administrative costs. We have increased the projected general and administration costs to $1 million in 2009, $1.2 million in 2010, and $1.5 million in 2011.

Financing: With the recent crop failure, Maple Leaf Re is expected to require another financing of at least $1,000,000 in order to maintain its existing working capital level. At the current low share price, it is unlikely that Maple Leaf Re will raise more than the minimum requirement in the next 12 months.

Capital Expenditure ("Capex"): Capital expenditure for 2008 includes prepayment of $370,000 and operation advances of $800,000 to the Xinjiang joint venture. Capex for the year ending January 31, 2009 is estimated to total $4.8 million, which includes $1 million for the construction of the second greenhouse, and $3.8 million for the purchase of 3 million kg of Yellowhorn fruit and planting of 1 million Yellowhorn trees for the Xinjiang joint venture. We expect Maple Leaf Re to focus on developing the potential of the Xinjiang joint venture, commencing in 2010 after the greenhouse operation is on track. Total investment is estimated to be $34 million, to be financed by a combination of equity, debt and cash.

Capital Structure: Maple Leaf Re currently has no debt. Debt financing by way of mortgages and receivables is possible, as the greenhouses commence commercial production. Accordingly, we are assuming a $5 million debt financing in the year ending January 31, 2011.

Options & Warrants: There are 692,000 warrants that are in-the-money and expiring within the next 12 months. This should add $138,400 to cash. We also expect the options expiring in 2010 to be in-the-money, and that they will be exercised, adding a further $311,000 to our cash projection.

Table 1: Warrants and Options

1. Options

Number	Exercise Price	Expiry Date	Comment	Potential Equity
1,155,000	$0.20	2-Mar-10	In-the-Money	$231,000
400,000	$0.20	31-May-10	In-the-Money	$80,000
10,000	$0.20	5-Dec-11	In-the-Money	$2,000
2,000,000	$0.20	27-Apr-12	In-the-Money	$400,000
300,000	$0.23	21-May-12	In-the-Money	$69,000
650,000	$0.98	1-Oct-12	Out-of-the-Money	$637,000
4,515,000				$1,419,000

2. Warrants

Number	Exercise Price	Expiry Date	Comment	Potential Equity
328,000	*$0.20*	*11-Jun-08*	*In-the-Money*	*$65,600*
364,000	*$0.20*	*15-Aug-08*	*In-the-Money*	*$72,800*
723,334	$2.00	11-Dec-09	Out-of-the-Money	$1,446,668
1,415,334				$1,585,068

Note: *The entries in italics are within our 12-month forecast period, and are "in-the-money". Potential additional shares and shareholders' equity are: 692,000 and $138,400*
Source: Company and eResearch

Financial Statements: The Company's abridged financial statements are set out on the following page.

Table 2: Selected Financial Information

	Nine Months Ending October 31:		Year Ending January 31:					
	2006	2007	2006	2007	2008E	2009E	2010E	2011 E
Statement of Income/(Loss):								
Operating Income	0	44,491	0	0	59,321	4,355,000	6,960,000	11,416,000
Non-Operating Income	606	6,530	5,879	3,238	8,707	0	200,000	0
General & Administrative Expense	(272,730)	(503,305)	(341,117)	(456,894)	(1,171,073)	(1,013,842)	(1,200,000)	(1,500,000)
Amortization	(47,678)	(54,381)	(2,324)	(71,655)	(72,508)	(145,016)	(150,000)	(1,250,000)
Stock-based Compensation	(22,688)	(590,744)	(725,060)	(29,078)	(590,744)	(500,000)	(750,000)	(1,000,000)
Other Non-Cash Items	0	0	0	0	0	0	0	0
Other Income/(Expenses)	0	0	0	0	0	0	0	(300,000)
Net Income/(Loss)	(342,490)	(1,097,409)	(1,062,622)	(554,389)	(1,766,297)	2,696,142	5,060,000	7,366,000
Total Shares Outstanding	41,102,047	53,753,660	38,734,434	45,542,547	55,200,327	56,892,327	74,447,327	76,947,327
Weighted Average Shares Outstanding	41,456,875	53,753,660	21,365,100	41,554,333	54,115,327	54,115,327	69,799,410	75,697,327
Earnings (Loss) Per Share	($0.01)	($0.02)	($0.05)	($0.01)	($0.03)	$0.05	$0.07	$0.10
Statement of Cash Flow:								
Net Income (Loss)	(342,490)	(1,097,409)	(1,062,622)	(554,389)	(1,766,297)	2,696,142	5,060,000	7,366,000
All Non-Cash Items	70,366	645,125	727,384	100,733	663,252	645,016	900,000	2,250,000
Cash Flow from Operations	(272,124)	(452,284)	(335,238)	(453,656)	(1,103,045)	3,341,158	5,960,000	9,616,000
Investing Activities (Capital Assets)	(28,939)	(33,779)	(160,720)	(15,735)	(1,203,779)	(4,800,000)	(20,000,000)	(13,700,000)
Other Investing Items	0	0	(310,000)	(38,794)	0	0	0	0
Free Cash Flow	(301,063)	(486,063)	(805,958)	(508,185)	(2,306,824)	(1,458,842)	(14,040,000)	(4,084,000)
Working Capital Changes	(149,661)	(232,705)	(336,104)	(242,250)	127,295	(10,433)	(1,094,795)	(1,814,959)
Equity Financing	381,437	1,609,669	(465,000)	936,248	3,779,669	1,138,400	20,311,000	1,000,000
Debt Financing	78,000	0	(3,500)	0	0	0	0	5,000,000
Change in Cash	8,713	890,901	(1,610,562)	185,813	1,600,140	(330,874)	5,176,205	101,041
Cash, Beginning of the Period	59,583	245,396	1,670,145	59,583	245,396	1,845,536	1,514,661	6,690,867
Cash, End of the Period	68,296	1,136,297	59,583	245,396	1,845,536	1,514,661	6,690,867	6,791,908
	As at October 31:		As at January 31:					
	2006	2007	2006	2007	2008E	2009E	2010E	2011E
Balance Sheet:								
Cash	68,296	1,136,297	59,583	245,396	1,845,536	1,514,661	6,690,867	6,791,908
Other Current Assets	308,921	529,260	178,700	338,349	169,260	169,260	1,313,370	3,189,972
Capital Assets	1,580,532	1,545,810	1,599,271	1,566,410	2,697,683	7,352,667	27,202,667	39,652,667
Deferred Expenses	0	15,735	0	15,735	15,735	15,735	15,735	15,735
Total Assets	1,957,749	3,227,102	1,837,554	2,165,890	4,728,214	9,052,323	35,222,638	49,650,282
Current Liabilities	235,628	52,676	177,069	94,468	52,676	42,243	91,558	153,202
Other Liabilities	0	219,242	0	0	0	0	0	0
Debt Obligations	0	0	0	0	0	0	0	5,000,000
Total Liabilities	235,628	271,918	177,069	94,468	52,676	42,243	91,558	5,153,202
Shareholders' Equity	1,722,121	2,955,184	1,660,485	2,071,422	4,675,538	9,010,080	35,131,080	44,497,080
Total Liabilities & Equity	1,957,749	3,227,102	1,837,554	2,165,890	4,728,214	9,052,323	35,222,638	49,650,282
Book Value (S.E.) Per Share	$0.04	$0.05	$0.04	$0.05	$0.08	$0.16	$0.47	0.58

Source: eResearch

VALUATION

In our earnings projections, we have not included the following additional economic potential, as the amount cannot be determined at this stage:

1. Economics of the joint venture with Huize Forestry Co. Ltd of Changzhi, Shanxi Province; and
2. Potential government grants available for projects of national priority can be sizeable in China, particularly when it relates to environmental improvements.

To establish a more reasonable value, we compared Maple Leaf Re to the following companies listed on Canadian exchanges:

Sino-Forest Corporation (TRE: TSX): Sino-Forest engages in the growing and harvesting of eucalyptus, aspen and pine trees under long-term plantation programs in China. The company also manufactures, distributes and sells forest products including logs, wood chips and wood products.

Bevo Agro Inc. (BVO: TSXV): Bevo Agro operates propagation greenhouse facilities in Langley, British Columbia. The company produces vegetable plants, bedding plants, flowers, trees, cranberries and grasses. Bevo Agro's market is primarily in North America.

Cathay Forest Products Corp. (CFZ: TSX-V): Cathay Forest is a forest plantation company with operations in China. The company manages timber properties and develops fast-growing poplar plantations in China and Russia.

The following is a financial summary of Maple Leaf Re and the comparable companies:

Table 3: Comparables Table

Comparable Companies	Maple Leaf MPE.TSXV 10/31/2007*	Sino-Forest TRE.TSX 30-Sep-07	Bevo Agro BVO.TSXV 30-Sep-07	Cathay CFZ.TSXV 30-Sep-07
Price per share	$0.36	$17.54	$0.18	$1.20
Working capital per share	$0.06	$2.56	($0.17)	($0.08)
Earnings per share (12 month trailing)	($0.02)	$0.92	($0.03)	($0.05)
Earnings growth	N/A	31.4%	N/A	N/A
Book value per share	$0.09	$6.92	$0.35	$0.30
P/E Ratio (X)	N/A	19.1	N/A	N/A
Shares outstanding*	56,082,327	163,727,361	25,535,933	81,399,285
Market Capitalization	$20,189,638	$2,871,777,912	$4,468,788	$97,679,142
Total Assets	$5,237,102	$1,732,331,000	$35,383,792	$62,066,376
Equity	$4,965,184	$1,133,412,000	$8,821,338	$24,064,467
Equity/Asset (%)	95%	65%	25%	39%
Price to Book (X)	4.1	2.5	0.5	4.1
Sales (12 month trailing)	$44,491	$636,277,000	$18,559,846	$13,642,245
Operating margin**	66.7%	35.90%	35.40%	10.20%
Net income (12 month trailing)	($1,309,308)	$147,404,000	($715,481)	($3,915,548)

** Adjusted to include private placement*
*** Management estimate for MPE*
Source: eResearch

Both Bevo Agro and Cathay Forest incurred a net loss over the past 12 months, as did Maple Leaf Re. Maple Leaf Re's projected operating margin of 67% is substantially higher than that of its peer group, and its price to book is 4.5 times, which is the highest among the comparables, largely because it is the only company with no debt.

EPS Estimates; Multiples; and Intrinsic Values

As indicated in the abridged financial statements, we are projecting that the Company will achieve the following earnings per share:

- January 31, 2009: $0.05
- January 31, 2010: $0.07
- January 31, 2011: $0.10

Maple Leaf Re is currently trading at $0.36 a share, with one-year projected earnings of $0.05 per share. This implies a projected earnings multiple of 7.2 times, without any value given to the Company's two joint ventures.

Of the comparables, only Sino-Forest has positive earnings. Its current P/E multiple is 19.1x. If we assume that, as Maple Leaf Re turns to reporting income instead of losses, its actual P/E multiple will rise. If we assume that it reaches a level that is 50% of that of Sino-Forest (or 9.5x) then, on the 5-cent EPS estimate, the projected intrinsic value per share is $0.48. On the following year's $0.07 EPS estimate, the intrinsic value per share is $0.67.

Similarly, looking ahead three years, if Maple Leaf Re is able to reach a P/E multiple that is 75% of that of Sino-Forest (or 14.3x) then, on the 10-cent EPS estimate, the projected intrinsic value per share is $1.43.

Outlook

Maple Leaf Re has prospective opportunities in China and a solid business strategy. The Company's greenhouse operation generates steady revenue, while the joint ventures provide longer-term upside potential. In addition, the Company is engaged in a high-margin business. Management's experience and connections in China are crucial in realizing these opportunities. The Company's new management will be closely monitored by shareholders in the next few months.

The Company is now in funds and should be able to focus on improving operations and meeting production targets. If new management is able to capture the opportunities, the current share price represents good value for risk-tolerant investors who want to participate in growth in China via a Canadian vehicle.

The engagement of EmBay to assist in the application of a listing on the Frankfurt Stock Exchange will add liquidity and possibly greater volatility to Maple Leaf Re's shares.

Conclusion

We believe that the shares of Maple Leaf Re are undervalued, as investors over-reacted to the recent crop failure after a series of management changes and false starts.

Our Target Price of $0.75 for the next 12 months is principally focused on Maple Leaf Re's greenhouse operation. The results from joint ventures are not reflected in our 12-month target period, but this is the driving force for our earnings projections for the following two years.

APPENDIX 1: MANAGEMENT AND DIRECTORS

Raymond Lai, President, CEO & Chairman
Raymond Lai has over 10 years' experience with public companies in the manufacturing, packaging and mining sectors, where he was responsible for financing both domestically and abroad. Mr. Lai has been a member of the Certified Management Accountant Society (CMA) for over 25 years and holds a Bachelor of Commerce from the University of Calgary.

Daniel Chu, Chief Financial Officer & Director
Daniel Chu is a founding shareholder of Maple Leaf Re and has over 17 years' experience as a senior financial executive. He was President of Duo Dynamic Capital Corp., a consulting company; Altarich Energy Inc., a public oil and gas company; and Opital Choice Corporation, a wellness company. Mr. Chu is a C.A., having articled with PriceWaterhouseCoopers. He previously served with the Federal Department of Energy, Mines and Resources and Revenue Canada.

Casey Chan, Vice-President Corporate Finance
Casey Chan's expertise is in the areas of corporate development, financing and restructuring of China-based SMEs for M&A purposes. Since 1992, Mr. Chan has been the founder of, and has served as CEO of, several public companies and private Chinese enterprises. He is currently CEO of EmBay Capital partners, Inc., a China-based investment consulting firm that identifies Chinese enterprises for access to European capital markets.

The Honourable Bill McKnight, Independent Director
Bill McKnight is a former Member of Parliament, having served for 14 years. For nine of these years, he was a senior cabinet minister in National Defense, Energy, Mines & Resources, Economic Resources, Indian Affairs & Northern Development, Labour & Housing, and Agriculture. Mr. McKnight was also an advisor to the Governor of Ningxia, Hui in China.

Jim Hu, Independent Director
Jim Hu is an entrepreneur and businessman.

NOTES

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, are not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

***e*Research analysts on this report: Amy Stephenson, MBA, CFA.** Amy Stephenson is a generalist Research Analyst responsible for special situations. She is an experienced corporate finance professional who has been involved both as principal and consultant in corporate reorganizations, mergers and acquisitions, RTO and project financing.
Bob Weir, B.Sc., B. Comm, CFA. Bob Weir has 42 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined *e*Research in 2004.

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*e*Research Recommendation System

Strong Buy: Expected total return within the next 12 months is at least 40%.

Buy: Expected total return within the next 12 months is between 10% and 40%.

Speculative Buy: Expected total return within the next 12 months is substantial, but Risk is High (see below).

Hold: Expected total return within the next 12 months is between 0% and 10%.

Sell: Expected total return within the next 12 months is negative.

*e*Research Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk: *Financial* - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.

Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.

Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.

Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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