



Cathay Forest Products Corp.

CATHAY FOREST TO INVEST IN A FULLY INTEGRATED BIO-FUEL PLANTATION AND REFINERY IN GUIZHOU, CHINA

FOR IMMEDIATE RELEASE

TSX Venture Exchange symbol: CFZ

TORONTO, ON, May 20, 2009

Cathay Forest Products Corp., (“Cathay Forest”) is pleased to announce that it has signed a definitive agreement in which it will acquire 40% of privately held Eco-Energy China Group (“Eco-Energy”), a vertically integrated biodiesel producer in China.

Terms of the deal include that Cathay Forest will acquire a 40% ownership of Eco-Energy for an aggregate purchase price of CDN\$2.9 millions. This investment will be funded using Cathay Forest’s current available cash position.

Eco-Energy, based in the southwestern province of Guizhou, is a valuable addition to Cathay Forest’s portfolio of forestry assets. Eco-Energy’s assets include a 40,000 hectare plantation of *Jatropha Curcus* and a recently completed biodiesel refinery.

Jatropha was rated as one of the most efficient biofuel feedstocks by Goldman Sachs in its “Food, Feed, and Fuels” report in 2007. With an ability to grow on non-arable and marginal land, *Jatropha* is a perennial fruit bearing shrub whose seeds contain non-edible oil which can be processed into biodiesel. Eco-Energy’s *Jatropha* plantation project has been audited and approved by both the Chinese central government and the Guizhou provincial government to receive significant cash subsidies. 10,000 hectares of *Jatropha* were planted in 2007 and another 30,000 hectares are scheduled to be planted in 2010 and 2011.

Eco-Energy also owns and operates a new multi-feedstock biodiesel refinery, designed and constructed by the engineering subsidiary of China Petroleum & Chemical Corporation (Sinopec, SSE: 600028; NYSE: SNP; HKEX: 0386), one of the largest integrated oil producers in China. Test runs of Eco-Energy’s biodiesel output have surpassed both the Chinese national standard and Sinopec quality standards. Eco-Energy is scheduled to begin production of biodiesel in the third quarter of 2009.

Cathay Forest’s forestry expertise and regional network will assist Eco-Energy in furthering its plantation expansion strategy to become a leading biodiesel producer in China. The investment in Eco-Energy will broadly diversify the customer base of Cathay Forest beyond the wood market.

“This investment in Eco-Energy allows Cathay Forest to advance into the world of biofuel production utilizing forestry assets and byproducts. In China, diesel is a product that is high in demand and short on supply.” said Anthony Ng, Cathay Forest’s President and CEO. “While Cathay

Forest's focus is still on developing our Russian and China operations, we will not stop exploring new and promising opportunities to remain on the frontier of the forestry industry and create value for our shareholders. Following this investment in Eco-Energy, Cathay Forest will still have adequate resources to advance its business activities to positive cash flow."

About Cathay Forest Products

Cathay Forest is a forest products company that manages approximately 1,000,000 hectares of standing timber properties and fast-growth, high-yield poplar plantations in China and Russia. Cathay Forest is building a world-class forest products company through a customer base that includes the domestic Chinese pulp and paper industry and other wood products customers in the Japanese market.

Forward-Looking Statements

All statements, other than statements of historical fact, in this news release are forward-looking statements that involve various risks and uncertainties, including, without limitation, statements regarding the future plans and objectives of Cathay Forest. Actual results and future events could differ materially from those anticipated in such statements. Except as required by applicable securities laws, Cathay Forest assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy of this release.

For more information, please contact:

Ermo Ou

Vice President, Corporate Planning

Cathay Forest Products Corp.

(416) 226-7269

ermo.ou@cathayforest.com