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Cathay Forest Announces Partial Disposition of Its Assets in the Russian Federation and Operational Update

TORONTO, ONTARIO -- (Marketwire) -- 03/07/12 -- Cathay Forest Products Corp. ("Cathay Forest" or the "Company") (TSX: CFZ) announces that it has entered into an agreement with Russia Forest Products Group ("RFP"), a Russian based forestry company, under which RFP will acquire a controlling interest in the Company's DalEuroLes LLC operations located in Far East Russia.

Under terms of the agreement, which contemplates a series of transactions, RFP and Cathay Forest will establish a special purpose entity and Cathay Forest will transfer its equity interest and the other assets it holds in DalEuroLes to such special purpose entity. In exchange for a controlling position of the special purpose entity, RFP will provide the Company with a US\$13 million cash payment. RFP then expects to acquire the remaining shares of DalEuroLes not owned by the Company and will provide sufficient funds to DalEuroLes to continue and expand its current harvesting operations.

Following the completion of the contemplated transactions, the Company's equity interest in DalEuroLes will be decreased from 51% to approximately 30% assuming all proposed transaction are completed. Cathay Forest will also have the right to nominate 2 of the 5 directors of the special purpose entity.

The contemplated transactions are subject to a number of conditions including, without limitations, completion of due diligence and transactions documentation, approval of the shareholders of Cathay Forest and other regulatory approvals. It is anticipated that the proposed transactions will be completed by June 30, 2012.

Operational Update

The Corporation continues to operate in all segments which include: Fast Growth Poplar plantations, log importing and harvesting.

a. Plantations

The Corporation continues to operate the poplar plantations in Shandong, Jiangxi, Jiangsu and Henan Provinces. The activities in each of these locations during 2011 are summarized below.

Shandong: The Shandong properties consist of a total plantation area of 3,188 hectares remaining to be harvested. The Corporation is currently negotiating the sale of the poplar trees from the remaining area which is anticipated to occur in the second quarter of 2012. Management is still reviewing the revenue projections from these anticipated sales but it will be dependant on the timing of the transaction and pricing for the trees at the time of harvest. Additional discussions with the local authorities needs to be completed in terms of the future of the plantations in Shandong as government officials would like to return the properties to farmers for agricultural production. This determination will likely occur in the near future.

Jiangxi: In late 2010 and early 2011, the Corporation proceeded with planting new poplar saplings in the Poyang Lake region. In total an area of approximately 10,000 mu was planted. Unfortunately, due to unusual weather events including flood conditions followed by draught conditions in the area, the vast majority of the new saplings and in addition, a large portion of saplings planted in the three previous years were destroyed. This caused a significant set back in the development of the plantation in Jiangxi. The current remaining areas of poplar plantation total approximately 1,819 hectares. In 2012, there is no planting activity planned while the Corporation reviews its strategy and the feasibility with regards to this land area. The remaining trees continue to be maintained by local employees.

With regards to the Jiangxi standing timber properties, during 2011 and to the end of November 2011, revenue totalling RMB2.1M was generated from the sale of timber from these properties. The revenue was generated primarily from the sale of Chinese fir. There was a minimal amount of bamboo sold in 2011. The bamboo harvesting is closely monitored by the forestry authorities following the 2008 snow storms that covered the area. It is anticipated that additional quotas for bamboo harvesting could be made available in 2012, although this has yet to be confirmed.

Henan: The plantations in the Henan Province continue to be well maintained. To the end of November 2011, revenue of approximately RMB 2.12M (CDN\$331,000) was recognized by the Corporation. The properties in Henan are part of a joint venture which the Corporation holds 70%. The remaining 30% is held by a local pulp manufacturer (Xinxiang Xinya Paper Industry Group Corporation Limited) who is actively involved in the oversight of these properties.

Jiangsu: The Jiangsu fast growth poplar plantations are generally located along river banks and low lying areas. In 2011, while preparing harvesting plans for the maturing plantations, the Corporation was advised by the local government that in keeping with the Central Government's strategy of concentrating on environmental matters it wished to keep the plantations as is and not issue harvesting certificates for the plantations. With harvesting quotas no longer available, the Corporation undertook the initiative to negotiate a settlement with the local government that wish to retain the plantations. The basis of negotiation being that the Corporation would be reimbursed for its cost base of planting and the maintenance costs expended on the properties since the planting occurred. Negotiations that lead to the settlement on the first property in Tongzhou (680 hectares) were completed in November 2011. As of this date, RMB 1.02M of the settlement amount of RMB 2.28M has been received with the balance anticipated in the near future. The Corporation is now in the process of negotiating similar settlements for the remaining properties in Jiangsu including the properties in Rugao (32 hectares) and Haimen (162 hectares). It is anticipated that all Jiangsu properties will be disposed of in this fashion through the course of 2012.

b. Log Importing

The importation of logs from Russia to the Chinese market continued throughout 2011. As in prior years, the majority of logs were imported from the Corporation's Russian subsidiary, DaEuroLes LLC. The Corporation is currently in the process of preparing the financial and operational information for its subsidiary Raohe Songlin, but as of this date the data is not completely available in the Shanghai office although expected soon. There had been delays in the forwarding of information from the subsidiary to the Shanghai office during 2011, but the reporting situation has been improved and full information is expected to be available in the next few weeks. During 2011, there were no sales of logs originating from the Russian operations made to the Japanese market.

c. Harvesting

The harvesting operations consist of the operations of the Corporation's 51% owned subsidiary DaEuroLes LLC. During 2011, DaEuroLes continued to operate at full capacity reaching a volume of 205,000 cubic metres for 2011 compared to a 2010 harvesting volume of 240,000 cubic metres. All operations are contained within the first forestry concession which carries a net annual allowable cut quota of

270,000 cubic metres.

In prior years, almost all of the DalEuroLes' production had been destined to the Raohe Songlin trading company for the China markets. In 2011, a significant portion of the production was sold to the Business Marketing group located in Russia for use as input in their local sawmill.

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's customer base includes the domestic Chinese pulp and paper industry and other wood products customers in the Russian and Japanese market.

About Russia Forest Products Group

RFP is one of the largest integrated forestry groups in Russia and Asia-Pacific region by timberlands area with 6,400,000 hectares of standing timber and annual harvesting volumes of over 2 million m³. RFP mainly exports its wood products to China, South Korea and Japan and is the world's largest single timber supplier to China and Japan controlling around 10% of Russian timber export to China and around 15% of Russian timber export to Japan. RFP benefits from integrated logistics division, which has its own fleet, river/marine ports and is the leading passengers and cargo operator along the Amur River.

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 under applicable securities laws, Cathay Forest assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

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