



Paper Contract with China

立足中国 绿色承诺

APP-China “Paper Contract with China” 2009 Fourth Quarter Report

For the Chinese paper industry, 2009 was a difficult year and a lot of hard work was needed to overcome the challenges and maintain past trends. In line with the global economic crisis, the paper industry in China was in a recession at the beginning of 2009, with falling prices, stockpiling and growing trade protectionism, making every step forward a challenge. However, thanks to the rebounding Chinese economy, the paper industry was able to pull itself together and has shown signs of a robust recovery since Q2.

In this report, we've reviewed 2009 from two perspectives - the general news and developments in the Chinese papermaking industry and the “Top 10 APP-China News” in 2009 - to provide a broader picture of how the Chinese paper industry was able to survive and grow through the global economic downturn in the past 12 months.

News that Impacted the Papermaking Industry in 2009

The Standards for Discharge of Water Pollutants in the Papermaking Industry took effect on May 1, 2009

On May 1, 2009, the new Standard for Discharge of Water Pollutant in the Pulp & Papermaking Industry (GB3544-2008) took effect. The standard stipulated the discharge limit, as well as the testing and monitoring requirements for water pollutants from pulp & papermaking enterprises, which demonstrates the Chinese government's determination for managing emission reductions in the papermaking industry and may lead to industry re-structuring.

Light Industry Revitalization Plan was issued in May 2009

In May 2009, the Information Office of the State Council issued *Light Industry Revitalization Plan*. According to the plan, by 2011 the paper industry must reduce 100,000 tons of COD

For more information about “Paper Contract with China”, please visit: www.app.com.cn or the updated website : www.papercontract.com

emission and 900 million tons of wastewater discharge compared to 2007 level, which counts for approximately a 40 per cent reduction of each category from China's main industries.

China extends anti-dumping against coated paper imported from Japan and Korea for another five years

For the next five years from August 5, 2009, China will continue to impose anti-dumping duties on imports of coated paper from Japan and Korea. On August 4, 2009, the Ministry of Commerce announced this decision, which was an extension to the notice in 2003 and gives the Chinese paper Industry another five years to strengthen the development of coated paper.

The Scientific Plantation Initiative was announced during the National Eucalyptus Plantation and Environmental Management Workshop

From August 11 to 14, the National Eucalyptus Plantation and Environmental Management Workshop organized by the Ministry of Human Resources and Social Security was held in Nanning, Guangxi. The aim of the workshop was to promote eucalyptus plantations, ecologic management and the sustainable development of forest-pulp-paper integration in China. Upon conclusion of the workshop, the participants proposed an initiative to help the public better understand the related benefits of eucalyptus and advocate the benefits of scientific development of eucalyptus plantations.

Regulations on Environmental Impact Assessment of Planning (Draft) discussed and passed in principle

On August 12, Premier Wen Jiabao chaired the standing meeting of the State Council, during which *the Regulations on Environmental Impact Assessment of Planning (Draft)* was discussed and passed in principle. Premier Wen requested the national scheme addressing climate change must be implemented across all industries, and efforts must be made to reach a series of goals - reduce energy consumption per unit of GDP by about 20%, increase the proportion of renewable energy sources to around 10% and raise forest coverage to 20%, as stated in the “Eleventh Five-Year” Plan.

The Paper Industry Sustainability Forum 2009 was held in Suzhou

On June 18, the Paper Industry Sustainability Forum 2009 - Paper Contract with China was organized by the China National Pulp and Paper Research Institute, the Forest & Paper Sub-Association of China National Forestry Industry Association, and China Pulp and Paper Magazines Publisher in Suzhou. The forum focused on clean production, plantation-pulp-paper integration, and the challenges and opportunities for the Chinese paper industry in fulfilling its environmental and social commitments.



The China Paper Industry's Sustainability Forum 2009

28 Pulp & Paper Enterprises jointly released the Green Manifesto during the China Paper Industry's Sustainable Development Forum

On September 21, the China Paper Industry's Sustainable Development Forum jointly organized by the China Paper Association (CPA) and China Technical Association of Paper Industry (CTAPI) was held in Beijing. 28 domestic pulp & paper enterprises participated in the forum and signed the *Manifesto of Conscientiously Fulfilling Social Responsibility for the Environment and Achieving Sustainable Development*.

The United States filed a AD/CVD petition against coated paper from China and Indonesia

On September 23, New Page, Appleton Coated Paper, and Sappi Fine Paper, together with the United Steelworkers of America filed a motion for anti-dumping and countervailing duties against coated paper imported from China and Indonesia. On November 6, the International Trade Commission made an affirmative injury determination in the petition to impose AD/CVD petition on the coated paper from China and Indonesia. However, the case against the imposition of duties continues.

China Forestry Equity Exchange was unveiled in Beijing

On November 23, the China Forestry Equity Exchange, the only trading platform for forestry rights and resources in China, was unveiled and began operations in Beijing. The Exchange

is part of the Chinese government's efforts to facilitate the sustainable development of forestry resources and respond to the global climate exchange.

China sets specific carbon dioxide reduction goals for the first time as part of efforts to address climate change

On November 25, the State Council announced that China is going to reduce carbon dioxide emissions per unit of GDP by 40 to 45 percent compared to 2005 levels by 2020. This commitment would be incorporated into China's medium and long-term social and economic schemes as a binding goal. The government is devoted to developing renewable and nuclear energies to ensure the consumption of non-fossil-fuel power accounts for 15 percent of the nation's total primary energy consumption by 2020. In addition forest cover is expected to increase by 40 million hectares and forest savings by 1.3 billion cubic meters from 2005 levels.

Top 10 News of APP-China in 2009

Jinhai Pulp & Paper becomes the first company to pass the clean production audit under the pilot program in Hainan

In February 2009, the government taskforce completed a clean production audit of APP-China's Hainan Jinhai. The taskforce was assembled by Hainan's Land and Environmental Resources Department that inspected the plant and awarded high marks for clean production practices. Thus Jinhai Pulp & Paper became the first company to pass the clean production audit under the pilot program in Hainan.

APP-China became the first pulp and paper producer based in China, to undergo a Carbon Footprint Assessment

In March 2009, APP-China completed the first phase of its Carbon Footprint Assessment, and became the first pulp and paper producer based in China to undergo a Carbon Footprint Assessment of this scope and size. The first phase of the assessment covered six of the company's leading pulp and paper mills and two forestry plantations in China, representing about 80% of APP-China's production capacity. By conducting a carbon footprint assessment, APP-China can establish accurate and reliable carbon emissions baselines (carbon footprints) which will be used in the development of long term business strategies including energy conservation and emission reduction.

Four subsidiaries under APP-China were listed in the Top 30 Pulp & Papermaking Enterprises in China

In April 2009, CPA released *Top 30 Pulp & Papermaking Enterprises in China*. Gold East Paper (Jiangsu) Co., Ltd.,

Hainan Jinhai Pulp & Paper Co., Ltd., Ningbo Zhonghua Paper Co., Ltd. and Gold Huasheng Paper Co., Ltd. under APP-China were on the list.

Gold East Paper (Jiangsu) Co., Ltd. passed environmental audit for listing

In July 2009, Gold East Paper (Jiangsu) Company, Ltd., the subsidiary of APP-China, passed the environmental audit conducted by the Ministry of Environmental Protection (MEP), which is a regulatory precondition of its IPO. After auditing 7 Gold East Paper mills, the MEP issued a public notice stating that Gold East Paper was in compliance with environmental requirements for listing companies.

Gold Hongye Paper launches its 9th project in Shandong

In July 2009, the first foundation stone of the USD 30 million Gold Hongye Paper (Qingdao) Co., Ltd. was laid in Jiaozhou city, Shandong Province. This is the ninth project of the Gold Hongye Paper (Suzhou Industrial Park) Co., Ltd., one of APP-China's major affiliates. Upon completion, the Jiaozhou mill is expected to produce 60,000 tons of paper annually for industrial and household use with a total output value at USD 114.7 million.

Gold East Paper made China's Top 500 Enterprises List

Gold East Paper (Jiangsu) Co., Ltd. has become the 201st largest enterprise in China, according to the latest industry rankings, released by the China Enterprise Confederation and the China Entrepreneurs Association. Gold East Paper made its 8th consecutive appearance on the list coming at 201. The company also appeared in 103rd place on the Top 500 Chinese Manufacturing Enterprises and 111th place on the Top 200 Most Profitable Enterprises List.

Sinarmas Tongji Middle School was completed

In September 2009, Sinarmas Tongji Middle School in Sichuan was completed. The school is one of the key post-earthquake reconstruction projects sponsored by the State Council Overseas Chinese Affairs Office with the generous support from the overseas Chinese communities around the world. APP-China contributed RMB 20 million (USD 2.86 million) to help rebuild the school. This project is an example of APP-China and Huang Yi Cong Foundation's commitment to supporting educational development in rural China.

"China Forestry Certification Program-Hainan Pilot Project Seminar" held at APP-China Forestry Department

In September 2009, the Chinese Academy of Forestry held the "China Forestry Certification Program-Hainan Pilot Project Seminar" at APP-China's Forestry Department. The seminar introduced the Chinese forestry certification system and the

State Forestry Administration's pilot project to test the national standards. APP-China was selected to participate in the pilot program.

APP-China released the "Paper Contract with China" Manifesto 2009

In June 2009, APP-China released the "Paper Contract with China" Manifesto 2009, in which it reviewed achievements in the areas of scientific plantations, clean production and corporate social responsibility in 2008, and mapped out its goals and strategy for sustainable development in 2009.

APP-China and Huang Yi Cong Foundation donated RMB 100 million to Chinese Language Education Foundation

In October 2009, APP-China and Huang Yi Cong Foundation donated RMB 100 million (USD 14.7 million) to the Chinese Language Education Foundation to promote Chinese language and culture overseas.



T.G. Wijaya, APP-China chairman and CEO delivered the check to Lin Wenken, representative from Chinese Language Education Foundation (right)

"Paper Contract with China" Q4 Updates

Sustainable Forestry

APP-China Forestry Department participated in the discussion regarding upgrading the forest plantation industry

November 8 to 10, 2009, the 2nd China Forestry Academic Conference was held in Nanning, with the theme of "Innovation Leads Modern Forestry". On the "Theory and Technology of Plantation Management" panel, the representative from APP-China shared APP's best practice and experience on plantation-pulp-paper integration and scientific plantations.

APP-China Forestry Department supported a Workshop on Wood Resources for Pulp & Papermaking

November 12 to 14, 2009, the "China Workshop on Wood Resources for Pulp & Papermaking" organized by CTAPI and the Chinese Society of Forestry was held in Guilin, Guangxi. APP-China co-sponsored the workshop, which attracted around 100 representatives from the business and academic circles. The major topics included how to improve the yield of forest plantations and how to obtain a clean production model with high pulp yield. After the workshop participants had a site inspection of APP-China's eucalyptus plantation, and spoke positively of APP's ecological and scientific plantation management and its contribution to local economic development.

Corporate Social Responsibility

"Virjoy Care for Youth Health Campaign" was launched in Shanghai



Mr. Andy Xu from APP-China delivered the donation plate to the student representative

On November 20, 2009, the "Virjoy Care for Youth Health Campaign" was officially launched in Shanghai's Yan'an Elementary School, which was jointly sponsored by the All China Federation of Returned Overseas Chinese, Shanghai Federation of Returned Overseas Chinese, APP-China and Huang Yi Cong Foundation. The campaign aims to intensify the students' awareness of hygiene, enhance their knowledge of epidemic prevention, and urge them to cultivate good sanitary habits. At the launch ceremony, 30,000 sets of APP-China tissue products were donated to the students and school faculty.

Sinarmas "Joy of Reading" Campaign Phase I was completed

On October 30 2009, Huang Yi Cong Foundation donated 16,090 books worth RMB 280,000 (USD 41,176) to four schools in Wuyuan County, Inner Mongolia, which marked the completion of Sinarmas "Joy of Reading" Campaign Phase I Program. During Phase I, a total of 133,213 books worth about RMB 2.38 million (USD 350,000) were donated to 50 elementary and middle schools in undeveloped areas across the country, directly benefiting 72,000 students.

Latest Plantation Data, Third Quarter 2009	
Newly planted trees	540 hectares
Forest purchased	None
Timber felled	19,100 tons
Area coppiced after felling	3,466.7 hectares
Area replanted after felling	846.7 hectares
Cumulative total of plantation that APP-China manages: 332,000 hectares	

Clean Production

Latest Fenton wastewater treatment system was completed in Ningbo Asia Pulp & Paper Co., Ltd.

In September 2009, an investment of more than RMB 32 million (USD4.7 million) by Ningbo Asia Pulp & Paper, saw installation of the Fenton wastewater treatment system completed and testing begun. Compared to traditional wastewater treatment systems, the world-leading Fenton system has increased emission reduction and processing capacity. For example, the system can reduce COD from 100mg/liter to 80mg/liter, in line with the 2011 national standard for wastewater discharge in the papermaking industry.

Clean Production Data, Fourth Quarter 2009

Item	Unit	PCwC Target	Oct. – Dec., 2009	National Standard*
Water consumption / tonne of paper	Tonne of water / tonne of paper	10	9.09	/
Wastewater discharge / tonne of paper	Tonne of water / tonne of paper	9	7.66	20
COD emitted / tonne of paper	Kg / tonne of paper	0.61	0.46	2
Water consumption / tonne of pulp	Tonne of water / tonne of pulp	28	24.29	/
Wastewater discharge / tonne of pulp	Tonne of water / tonne of pulp	17	16.53	80
COD emitted / tonne of pulp	Kg / tonne of pulp	2.16	1.51	16

*Source: Discharge Standard of Water Pollutant for Pulp and Paper Industry, Ministry of Environmental Protection, April 29, 2008