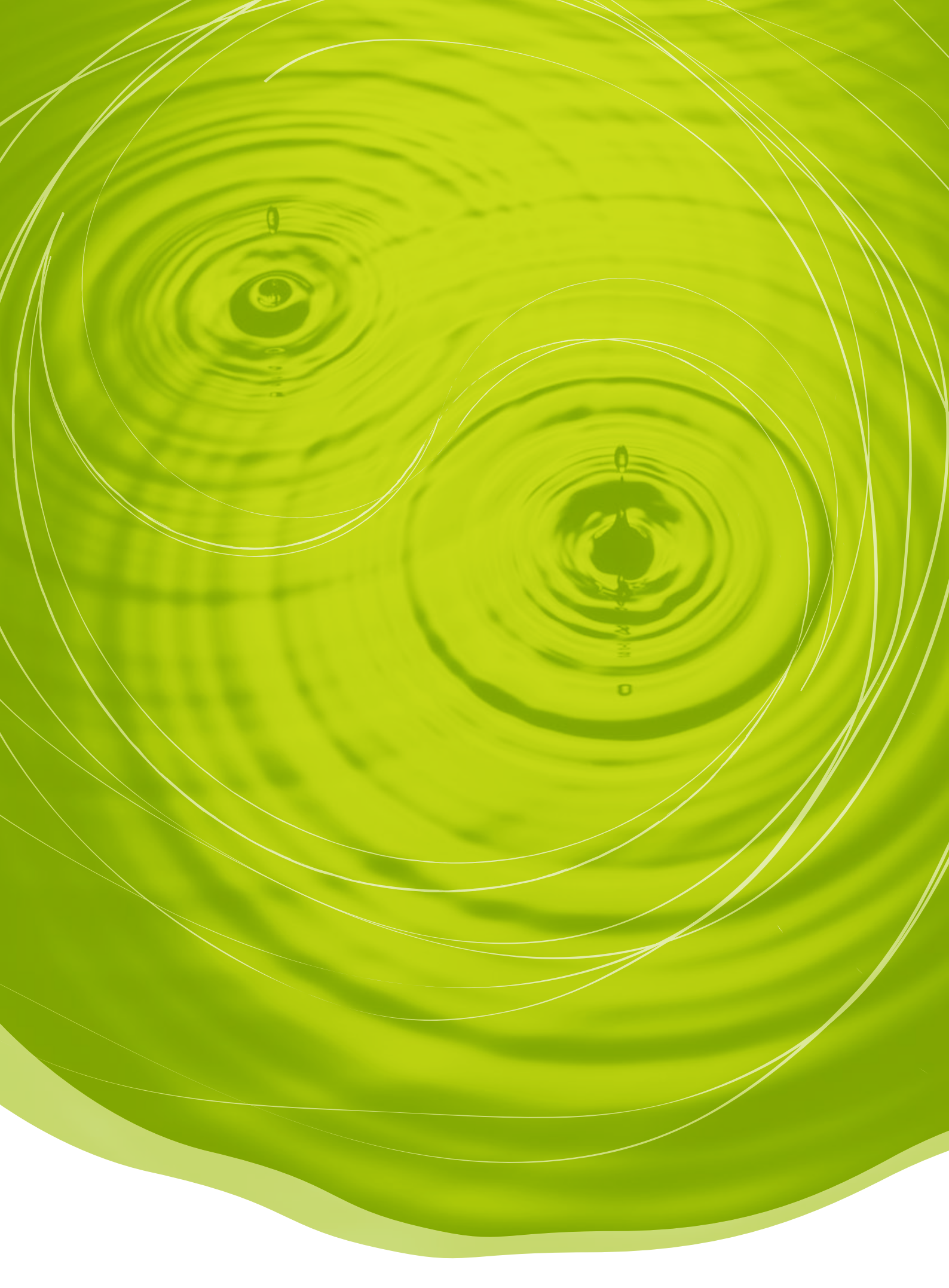


APP China
Sustainability Report
2008







Letter from the CEO

Teguh Ganda Wijaya

Sinar Mas Group Chairman and CEO

2008 was a remarkable year for China and for APP. After the May 12 Sichuan earthquake, we all came together to help those who were affected, demonstrating the reemergence of traditional Chinese values. In August, China successfully hosted the Olympic Games, showcasing the extraordinary economic development the country has achieved, to the pride of all the Chinese people. The global financial crisis has presented every business with unprecedented challenges and APP China's staff stood together during this time, further enhancing their collective spirit.

Despite severe challenges and opportunities, APP China has continued to implement an integrated plantation, pulp and paper strategy for the sustainable development of the pulp and paper industry, strengthened our communication with stakeholders, and maintained the development of our business and our workforce. At the end of 2008, APP China had 32,000 employees, sales of RMB 35.8 billion and cumulatively paid RMB 8.6 billion of taxes, directly contributing to the development of society.

This year, as part of our efforts to develop the pulp and paper sector in China, APP China announced our Paper Contract with China Manifesto, which publicly stated our commitment to society with performance targets in scientific forestry management, cleaner production and social responsibility. We will continuously publish our performance compared to these goals as part of our efforts for greater transparency.

To establish our greenhouse gas emission reduction targets, in 2008 APP China invited an independent third party to conduct a GHG baseline inventory assessment for six major pulp and paper mills and two forestry companies—a first for China's papermaking industry. The assessment covered the entire chain from plantations to pulp to paper, along with our overall operations, including resource and energy usage, processes, vehicle fuel and employees. This assessment helped us to understand where we stand and what our next steps should be to continue to improve our sustainability management.

In the scientific management of plantations, APP China continues to improve its forestry management systems. We use modern forestry management techniques to enhance yields, cooperate with domestic and international organizations to improve our research, and actively manage

the environmental impacts of our operations. At the end of 2008, APP China managed more than 300,000 hectares of plantations, which absorb up to 7.96 million tons of carbon dioxide per year. At the same time, six of our forestry companies were certified under the ISO 14001 Environmental Management.

To better manage the environmental impact of our pulp and paper operations, APP China continues to focus on cleaner production, conserving resources, and reducing our environmental impacts. In 2008, we continued to improve the production processes in our pulp and paper mills by introducing more advanced equipment and training staff to reduce environmental impacts. At times when economic indicators such as revenue were down, we still maintained or increased our investments in environmental protection. At the end of 2008, eight mills had received PEFC's Chain of Custody Certification, and core indicators such as water consumption, wastewater discharge and COD emissions per ton of paper/pulp were better than national regulations required.

Our Paper Contract with China Campaign serves as a platform for us to systematically communicate with our stakeholders, build employee satisfaction, pay special attention to underprivileged groups, and actively participate in charitable programs. After the Sichuan earthquake, APP China donated RMB 24.5 million to the area. By the end of 2008, APP China had contributed over RMB 500 million to charitable causes in China.

2009 will be a critical year for APP China's ongoing development. Dealing with the impact of the financial crisis and restoring the momentum of the company's development will be the main priority. APP China will continue to promote an integrated plantation, pulp and paper strategy, increase investments in environmental protection, expand plantations, improve resource efficiency, reduce energy consumption, and continue with corporate citizenship activities in order to pursue sustainable development and contribute to mitigating the increasing impacts of climate change.

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About This Report

This is the third Sustainability Report published by Asia Pulp & Paper (APP China). It covers activities at APP China between January 1, 2008 and December 31, 2008.

This report has been prepared according to the Global Reporting Initiative (GRI)'s G3 (Sustainability Reporting Guidelines Version 3.0) reporting standards, and covers material aspects of the paper industry and APP's business in China. The report has been published in both Chinese and English.

Content Selection

We have prepared this report according to the GRI Reporting Principles of Materiality, Completeness, Sustainability Context, and Stakeholder Inclusiveness. We have taken a hard look at the key issues facing our company and industry. Moreover, we selected report content based on:

- Analysis of the most relevant and important sustainable development issues
- Engagement with stakeholders
- Continuity with previous reports

Scope of Report

The examples and data in this report reflect our activities at APP China Head Office, six pulp and paper mills, Forestry Business Unit Head Office, and five forestry business sub-units. Specifically, these include:

- APP China Head Office
- Gold East Paper (Jiangsu) Co., Limited
- Ningbo Zhonghua Paper Co., Limited
- Ningbo Asia Pulp & Paper Co., Limited
- Gold Huasheng Paper (Suzhou Industrial Park) Co., Limited
- Gold Hongye Paper (Suzhou Industrial Park) Co., Limited

- Hainan Jinhai Pulp & Paper Co., Limited
- APP China Forestry Business Unit Head Office
- Guangxi, Hainan, Yunnan, Guangdong, and Henan forestry business sub-units

The examples and data disclosed in this report refer to the period between January 1, 2008 and December 31, 2008.

Data Collection

- Data collection methods: site visits, questionnaires, interviews with APP China department heads, and internal stakeholder training and seminars on supply chain management, environmental health and safety, and stakeholder engagement.
- Data sources: APP China sustainability practices, head office, forestry business units, pulp and paper mills, and stakeholder responses.
- Data declaration: in the "Letter from the CEO" and "Corporate Profile" sections, the data refers to all operating entities under APP China, but for all other sections of the report the data refers only to those entities specified in the "Scope of the Report" section.

Achievements and Challenges

In the face of the economic crisis, APP China overcame challenges, developed new innovations, and met market demand—achieving sales revenue of RMB 27 billion.

27
billion RMB

By maintaining steady operations, APP China contributed RMB 1.4 billion in tax revenue in 2008.

1.4
billion RMB

During the financial crisis, providing stable employment and addressing job security is a key priority. In 2008 we sustained a workforce of 20,827.

20,827
employees

At the end of 2008, APP China's plantations covered more than 300,000 hectares, absorbing up to 7.96 million tons of carbon dioxide each year.

7.96
million tons

In spite of the economic downturn, in 2008 APP China doubled its investments in environmental protection compared to 2007, spending RMB 890 million, of which RMB 730 million was spent purchasing equipment.

890
million RMB

APP China continued to improve its processes and upgrade its equipment. In 2008 we achieved major water savings, discharging 8.74 tons of wastewater for each ton of paper, and 16.50 tons of wastewater for each ton of pulp—significantly lower than China's national standard of 20 tons and 80 tons respectively.

8.74
tons

In 2008, APP China achieved 100% treatment of solid waste at its 6 main pulp and paper mills.

100%

After the earthquake in Sichuan on May 12, Sinar Mas Group Chairman and CEO Teguh Ganda Wijaya donated RMB 20 million, the company's employees donated an additional RMB 2.8 million, and the company and its Foundation also contributed. In total, approximately RMB 24.5 million was donated in support of those affected by the disaster.

24.5
million RMB

Corporate Profile

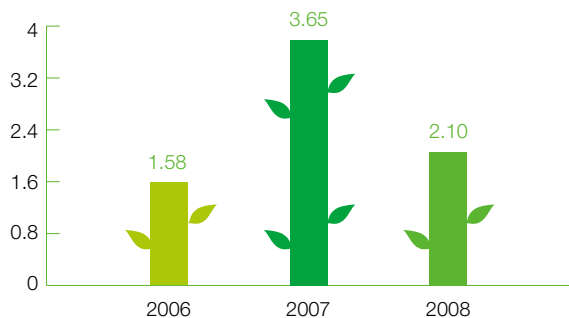
APP China is an integrated plantation, pulp and paper company with investment from Sinar Mas Group. APP China has a stake in over 20 pulp and paper enterprises, 20 forestry companies, and 300,000 hectares of plantation. The company has approximately 32,000 employees, a total asset value of RMB 77 billion, and an annual production capacity of over 7 million tons. In 2008, APP China's domestic sales in China alone exceeded RMB 35.8 billion. Since establishment, we have cumulatively paid RMB 8.6 billion in taxes.

APP China's range of products include office & printing paper, industrial paper & packaging and household & hygiene paper. Our mills include the following: Gold East, the largest paper-making company in China, and it also owns the world's largest single coated paper production line; Ningbo Zhonghua and Ningbo Asia, the largest industrial paper and packaging manufacturers in China; Gold Huasheng, the largest carbon-free paper manufacturer in China; Gold Hongye, the largest household paper manufacturer in Asia; and Hainan Jinhai, the largest pulp producer in China.

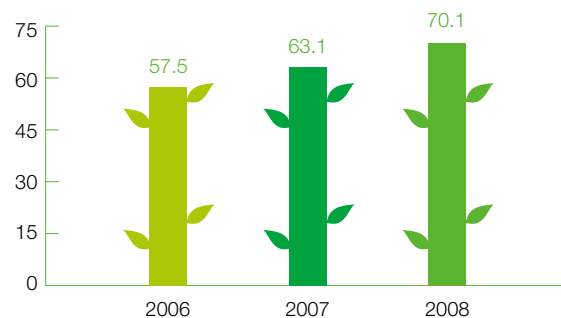
APP China aims to operate its business in harmony with society and the environment. All of the pulp and paper mills built by APP China have achieved ISO14001 certification of their environmental management systems. By the end of 2008, eight of these facilities also achieved Chain of Custody Certification by the Program for the Endorsement of Forest Certification Schemes (PEFC).

APP China continues to give back to society and support key societal and government projects. By the end of 2008, APP had cumulatively donated more than RMB 500 million to charitable causes. In 2007 and 2008, APP China was recognized as one of Hurun's "50 Corporate Social Responsibility Leaders." In 2008, the Ministry of Civil Affairs of the People's Republic of China recognized APP China with the "China Charity Award for Most Charitable Enterprise." Furthermore, APP China's work on environmental protection and industry development has been recognized by the international community: the Resource Information System Inc. (RISI) Pulp & Paper International Magazine selected Sinar Mas Group Chairman and CEO as Number One in its "Power List" of the top 50 most influential people in the global pulp and paper sector in 2008.

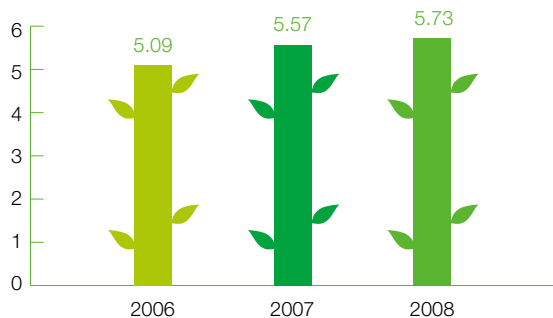
Total Profits (RMB billion)



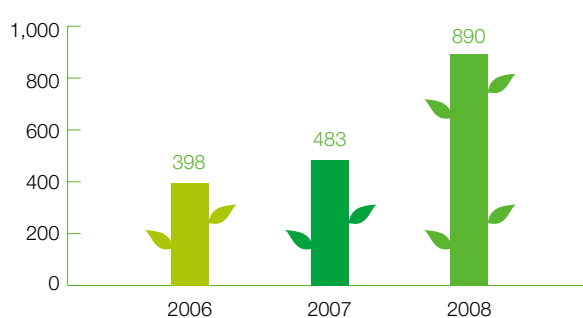
Total Assets (RMB billion)



Production Capacity (million tons)



Investments in Environmental Protection (RMB million)



Note: The data shown above is the sum of the corresponding data from the enterprises within the scope of the report. In 2006 and 2007 the data was calculated differently and thus there may be some variation.

Corporate Governance

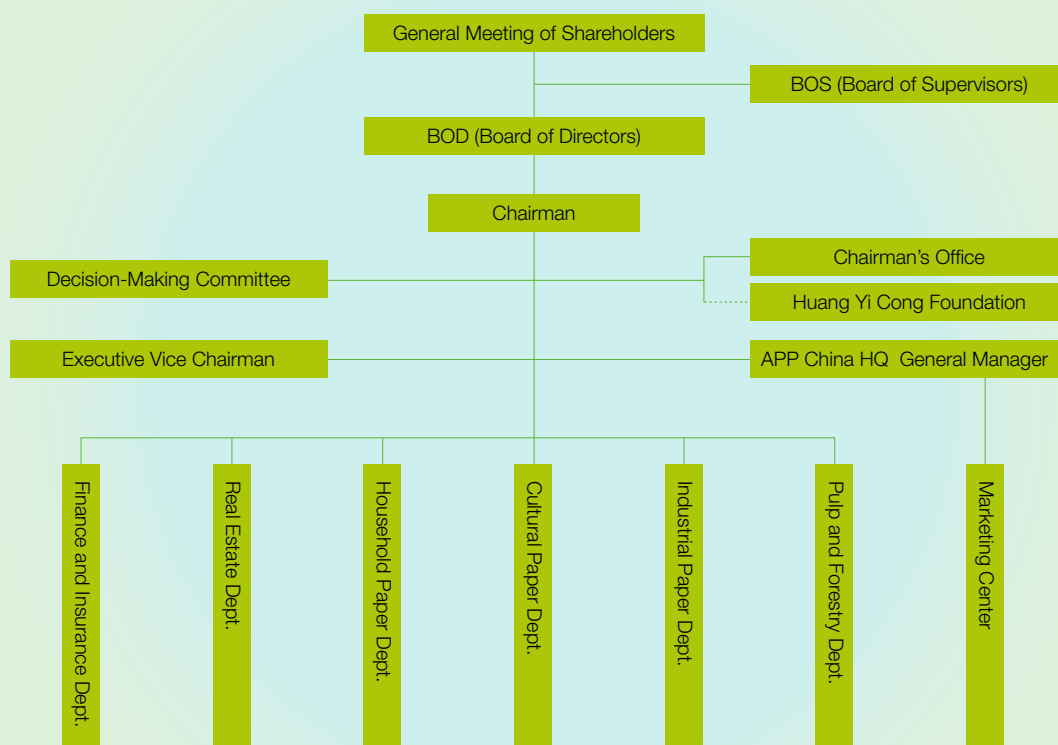
As a large corporation, we attach great importance to corporate governance and risk management. In 2008, we clarified our governance structure, division of responsibilities and decision-making processes and implemented various measures to ensure effective internal and external control, and to avoid major risks.

APP China's Governance Structure and Division of Management Responsibility

The Steering Committee for Decision Making is APP China's highest decision-making body, responsible for corporation-wide operations and investment decisions. In 2008, Mr. Jackson Widjaya and Mr. Wu Shengfang, who co-chaired the board, alongside 13 other members, met once a month to make strategic decisions. The committee's responsibilities include increasing facility performance, further implementing the Management by Olympic System (MBOS), promoting Enterprise Resource Planning (ERP), optimizing business systems, and being responsible for major personnel appointments in headquarters.

In 2008, the company established an investment committee. Under the leadership of the management and decision-making team, this committee is responsible for decisions related to business expansion. Through this process, the company integrates economic, environmental and social factors into its sustainable development decision-making and risk management.

APP China Organizational Chart



Risk Management

APP China has continued to make progress in improving risk management. We have established an internal control system to regulate business activities.

APP China's management advocates a management philosophy based on integrity. The company has developed management regulations and is focused on implementing them throughout the company. Every employee is provided with an employee's handbook. Specific individuals are required to abide to the "employee's confidentiality, non-disclosure and non-competition agreements." We also emphasize ethical conduct and our stance on anti-corruption through staff training.

Our internal control compliance system has five main elements: control of environment, risk assessment, control of activities, information and communication, and monitoring. These elements are interconnected and function as the company's effective internal control mechanism.

We have established an internal control department which has three main functions: internal audit, facilitating external independent audits, and anti-fraud investigations. The internal control department develops an annual audit plan to evaluate and test how effectively we are implementing the company's internal controls. Routine audits and special investigations are conducted to look for weaknesses and signs of fraud. Based on the results, the internal control department put forward proposals in 2008 to improve internal control and take action against non-compliant activities and individuals.

MBOS

Management by Olympic System (MBOS) is a management system unique to Sinar Mas Group. It is used for the establishment of challenging goals and objectives to drive performances and improve the overall management, promoting the spirit of "compete, learn, pursuit, help, exceed," which reflects APP China's culture of continuous improvement: "Challenge the Limits, Pursue Perfection."

■ Internal Audit:

The company's internal auditors determine audit scope based on the degree of risk identified by examining the strengths, weaknesses and inadequacies of the internal control systems. This helps drive improvements that directly prevent and avoid fraud. The internal audit department reports its results directly to the company's senior management or to the audit committee of the Board of Directors. This helps ensure independence, objectivity and effectiveness. There are also specific efforts by the internal control department to ensure the professionalism and ethics of internal auditors through a strict auditor code of conduct and a system of declaring any possible conflicts of interest.

■ External Independent Audits:

We commission a registered public accounting firm to provide an objective, fair, and independent audit of activities. They check for any fraudulent activities by senior management or weaknesses in the internal control system, and audit the financial reports.

In addition, every year we hire an international certified public accounting (CPA) firm to conduct a financial audit.

■ Anti-fraud Investigations:

We have established a system for employees to report suspicious activities directly to the internal control department or senior management, through email or a 24-hour fax hotline.

These three channels complement each other to form an integrated system for the prevention, detection and reporting of fraud, and thus help to ensure that the company is corruption-free.



APP China Sustainable Development Strategy and Implementation

Sustainable Development is APP China's guiding principle and framework to realize our vision and goal: to become "industry leader in green paper production" , through integrating scientific plantation development, promoting sustainable pulp & paper production and building corporate citizen values. In addition, we also ensure that stakeholder participations and communications are considered throughout our management processes and decision making.

In 2008, we released our Paper Contract with China Manifesto on sustainable development, declaring our commitment to practice cleaner production, manage plantations sustainably, and fulfill our social responsibilities. We also committed to establishing a platform for engaging with our stakeholders, operating transparently and reporting publicly to allow stakeholders to monitor our performance. To support implementation we set up a system for sustainability management which operates throughout the company.

In 2009, we will continue to implement our strategy, improve organizational systems, and strive to integrate our sustainable development strategy with our business strategy.

APP China Sustainable Development Strategy

Our sustainable development strategy, corporate vision, and mission are all linked together. Under the guidance of this system, we scientifically manage our plantations, sustainably operate our pulp and paper mills, and practice good corporate citizenship.

Our Vision APP will continue to be the world's premier fully integrated green-cycle forestry, pulp and paper conglomerate.	<ul style="list-style-type: none"> ■ Integrated: Increase the overall benefit to the business by operating throughout the industry chain from forestry, pulp and paper to converted paper products and related industries. ■ Largest: Be the leader in the industry and the world, equipped with the largest production capacity, state-of-the-art technology, and the most extensive customer service network. ■ Strongest: Manufacture high-quality products and maximize profitability with the most effective management team and the strongest R&D. ■ Green Cycle: Sustainably manage the large cycle from afforestation to pulp and paper making, as well as the small cycle of recycling paper for production.
Our Mission	<ul style="list-style-type: none"> ■ Green Circulation Stewardship: Promote afforestation to naturally increase forest area, minimize erosion, alleviate greenhouse gas affects and benefit society. ■ Advocate Paper-making Culture: Promote the sustained manufacturing of pulp and paper to preserve this ancient Chinese invention. ■ Improve Quality of Life: Meet consumer needs for printing, packaging, writing, and sanitation.

To address and drive our corporate social and environmental responsibility agenda, on June 27, 2008, APP China released a sustainability manifesto. This manifesto stated our commitments to cleaner production, sustainable management of plantations, and corporate social responsibility. It is part of our commitment to engaging with our stakeholders and regularly releasing information through quarterly reports to the public, allowing our stakeholders to monitor our performance.

Sustainable Development Goals

We are committed to minimizing our impact on the environment and delivering positive social and economic results, and have set important milestones and achievable goals to ensure our continual progress towards meeting these commitments. We regularly assess progress towards these goals and provide updates to the public on our results.

Our recent commitments include:

- we will seek to develop scientific management solutions where our plantations are in areas with high biodiversity, known as high conservation value forests (HCVF).
- we will promote energy-saving and emissions-reduction policies and increase environmental protection education to help address climate change.
- we will create employment opportunities, build rural infrastructure, construct schools, provide skills training courses for the local labor force, and implement projects that contribute to community development.

“Plantation-Pulp-Paper” Green Cycle

“Plantation-Pulp-Paper” integration calls for the linkage of three traditionally separate entities: plantations, pulp mills and paper mills. With this integrated approach, papermaking enterprises take responsibility for the source of their raw materials and develop eco-friendly ways to produce paper. This becomes an interlinked cycle where all three phases of production support one another, which helps to achieve sustainability in a way that is economically, ecologically and socially viable. From forest plantations to environment-friendly pulping and manufacturing high-quality paper products, we have developed a functional “green cycle” system through the complete integration of plantations with pulp and paper production.

Forest Plantations: The Basis of “Plantation-Pulp-Paper” Integration

By the end of 2008, APP China had planted a total of 300,000 hectares of plantations in China. Not only do these scientifically managed plantations provide raw materials for paper production, they also benefit the natural environment and create employment for local farmers. APP China's companies are active in building new infrastructure for rural communities and have introduced new economic models and technology to local farmers, helping them along the path of long-term development.

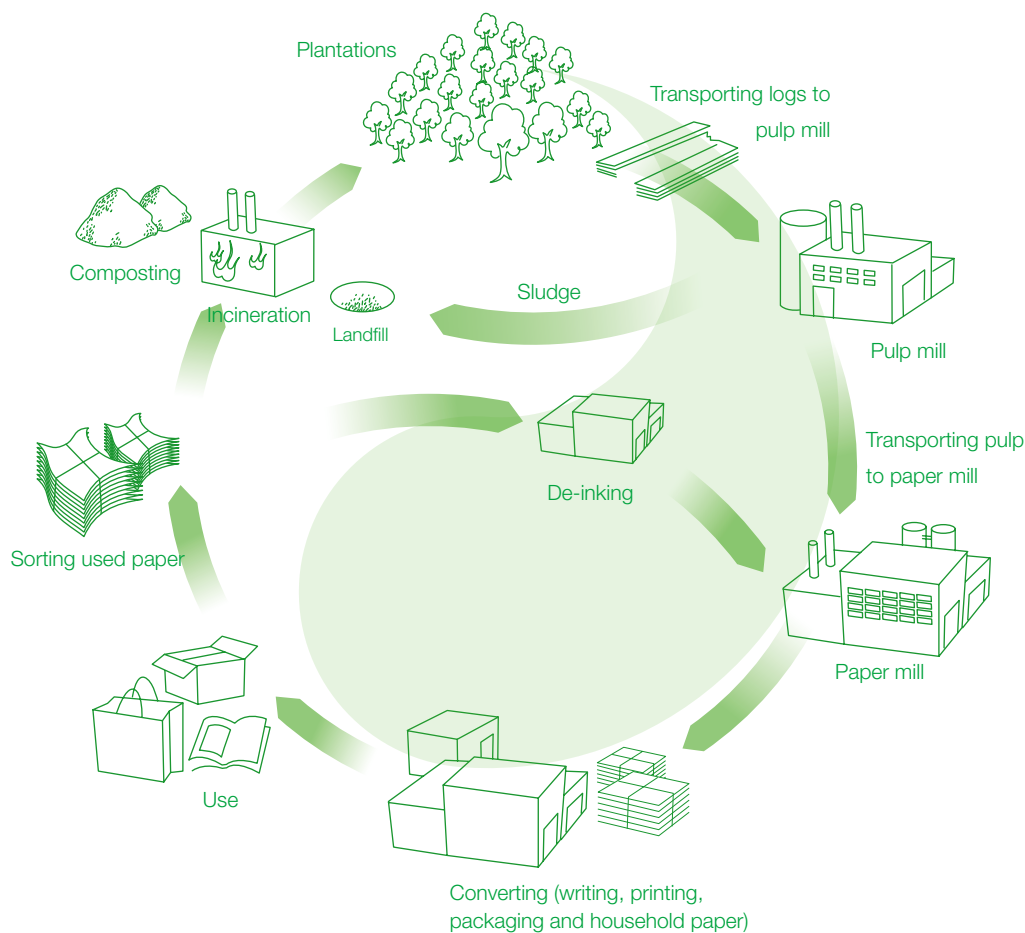
Large-Scale Pulp Mills: An Important Step in “Plantation-Pulp-Paper” Integration

APP China has invested large sums in advanced and modern pulp mills that utilize world-class technology and place great emphasis on environmental conservation. For example,

Hainan Jinhai Pulp & Paper Co., Ltd. has already spent RMB 2.7 billion on environmental protection facilities, out of the RMB 10.5 billion capital investment during its first phase. The production lines are also the largest, most automated, and environment-friendly pulp production lines in the world. APP's pulp mills have greatly increased China's self-sufficiency in wood pulp. In 2005, Hainan Jinhai had a total output of one million tons, increasing China's self-sufficiency in pulp by 3%.

Adoption of Paper Products Made with Environmental Conservation Technology: The Final Link of “Plantation-Pulp-Paper” Integration

APP China's quality and affordable paper products have been welcomed by consumers around the world. With profits gained from the sales of our paper products, we continue to fund and sustain our forestry efforts, thus achieving the “Plantation-Pulp-Paper” eco-cycle.



Note: This diagram is taken from the World Business Council for Sustainable Development's A Changing Future for Paper report published on May 1, 1996.

Implementing Our Sustainable Development Strategy in 2008

In 2008, we made progress towards our goal of becoming a sustainability leader in the paper industry in several ways. We promoted scientific management of plantations, practiced cleaner production, and demonstrated good corporate citizenship. We released a manifesto on sustainable development — "Paper Contract with China", as part of our engagement with stakeholders on key issues. Finally, we established and improved our sustainability management system, helping to ensure the integrity of our business operations.

Taking a Step Forward in Expanding Our International Influence

In July 2008, Sinar Mas Group Chairman and CEO was selected by RISI's Pulp and Paper International Magazine as Number One in its "Power List" of the 50 most influential people in the global pulp and paper sector. The list was based on nominations by RISI editors as well as engineers, economists, industry veterans and experts. This is a very high honor within the pulp and paper industry and is a significant confirmation by external stakeholders of APP's development.

Creating an Organizational Structure that Enables Continuous Improvement in Sustainable Development

To enforce implementation of our sustainability strategy, in 2008 APP China formed a sustainability steering committee that is led by the Chairman and Vice-Chairman, and includes all the functional heads at the corporate headquarters and key personnel in-charge of sustainable development from the forestry business units and pulp & paper mills. A dedicated team at the corporate headquarters was also established to drive sustainable management and development.

Intensifying Cleaner Production, Energy Saving and Emissions Reduction Efforts

To drive our environmental performance, we defined our benchmarks and targets, implemented cleaner production and adopted best practices. Some of the performance indicators established, include water consumption per ton of pulp/paper produced, COD effluent discharged per ton of pulp/paper produced, etc. Overall, 2008 data indicated that we had achieved results beyond the National Standards.

Promoting PEFC-CoC (Chain of Custody) Certification

The adoption of PEFC-CoC standards certification scheme is one of the fundamental building blocks to building a greener supply chain and implementing energy conservation and emission reduction initiatives. In 2008, we actively promoted the scheme throughout our facilities, and by the end of 2008, six of the facilities within the scope of the report had achieved certification. In 2009, we will continue to promote certification of other facilities and throughout our supply chain as well as through promotional materials in the marketplace.

Assessing Our Carbon Footprint and Mitigating Climate Change

In order to reduce our greenhouse gas emissions, in July and August of 2008 we commissioned a leading climate change and sustainable development consultant to assess our greenhouse gas emissions. This was the first carbon footprint to be conducted for any large-scale Chinese pulp and paper company. The assessment included APP China's six major pulp and paper mills and two forestry business sub-units, representing our entire industrial chain, including raw materials, energy usage, manufacturing processes, vehicle fuel consumption, waste management, and employee activities. The assessment showed that APP China's carbon emissions per ton of paper are among the lowest in the industry. Based on the assessment results, we are developing a long-term plan to implement further energy-saving and emissions reduction measures.

In 2009, we plan to improve the way we manage sustainability at APP China: we will strengthen our sustainability team, update our management processes, and establish a sustainability indicator system.

Paper Contract with China

On June 28, 2008, APP China held a ceremony to announce the Paper Contract with China Manifesto at Yangpu Economic Development Zone in Hainan. Over one hundred delegates from governments, NGOs, academic organizations and media participated in the ceremony. Mr. Liu Hanhong, General Manager of Hainan Jinhai Pulp & Paper led 300 of our employees in reading the manifesto and announcing the commitment on behalf of APP China.



Scientific Development of Plantations

The scientific development of plantations is critical to ensure the stability and growth of the paper sector. Since China is a net importer of paper pulp, the sustainability of domestic forest plantations is important for the continued development of the paper industry. We expect that current trends will continue to support our focus on the integration of plantations with pulp and paper manufacturing.

As one of the most active advocates and practitioners of this type of integration, we have established a specialized forestry management organization to promote afforestation and the “Plantation-Pulp-Paper Integration” model. By the end of 2008, APP China had established 20 forestry plantation companies and two nurseries across nine different provinces. The total plantation coverage is approximately 300,000 hectares, planted mainly with eucalyptus, acacia, poplar, pine, and casuarina species along with other local species of trees. The total land utilization rate reached 89%.

In 2009, we will further promote the scientific development of plantations and reduce the negative environmental impacts of our operations.

APP China's plantations cover an area of **300,000**
hectares.

APP China's plantations store **6.48**
million tons of carbon.

APP China has achieved ISO14001 Certification for **6**
forestry subsidiaries.

APP China's Management System for the Scientific Development of Plantations

APP China's forestry units have dedicated departments for forest management operations, legal advice, research and development, quality control, environmental protection, and finance, among others. These departments work together within our company to ensure that we meet our sustainability commitments.

We adhere to the concept of scientific development of plantations in accordance with the law, safety, science and ecology. We strictly monitor and enforce our plantation management policies and environmental management policies. We have integrated environmental considerations into our business activities, and we communicate the importance of our environmental management systems and targets to our staff and business partners. These actions strengthen our environmental performance and reduce environmental risks, and as we continue to introduce new

cutting-edge technology, ensure the scientific development of the entire business process. We are actively promoting a greener "circular economy," eco-efficiency, and the economic and social benefits of balanced development.



Nursery staff tending to seedlings

We are committed to scientifically developing plantations by:

- Abiding by all relevant PRC laws and regulations, which have already been incorporated into APP China's sustainable plantation development and management policies. We will strictly comply with the government's regulations on forestry classification and management when developing plantations and protecting natural forests.
- Continuing to conduct research on advanced plantation and cultivation techniques by enhancing our state-of-the-art R&D centers and nurseries in China. Our long-term goal is to help plantations in China perform at a higher level.
- Only establishing plantations on government-approved lands and in compliance with terms of the national forestry development plan. We will constantly strive to increase plantation productivity by utilizing advanced forestry technologies that meet the increasing demand for raw wood-fiber material from the fast-growing Chinese pulp and paper market.
- Managing plantations using harvest rotation cycles. One-sixth of mature plantations will be harvested annually, with replanting of the area shortly after harvest. The remaining plantations are left to grow and mature, allowing for sustainable harvests.
- Ensuring that legally-sourced fibers are used as raw material for our pulp mills through a strict chain-of-custody and scientific plantation-management system, and through domestic and international legal forest certification.
- Continuing to collaborate actively with research institutes and universities both inside and outside of China to develop new approaches for plantation management and biodiversity protection.

Managing Legal Compliance

APP China abides by all relevant PRC laws and regulations. Based on the ISO14001 Environmental Management Systems, APP China's afforestation practices are in compliance with the articles of relevant regulations such as Agenda 21, Convention on Biological Diversity (CBD), and UN Convention to Combat Desertification (UNCCD).

We have developed policies for plantation management policies in accordance with national laws and regulations that range from selection of plantation sites to planting and harvesting. We have compiled a handbook of forestry laws and regulations, a plantation management policy, a guide to harvesting operations, and regulations for procurement and transportation management. These documents help ensure that across our operations, our practices are consistent and conform to regulations from various government bodies. While this is the company's obligation under law, it also protects the rights of the plantation owners, and enables the sustainable development of our plantations.

Legal Land Tenure and Land Use

APP China develops plantations in accordance with the national and local law and policies. We only plant on land categorized by the Chinese government for timber production. We adopt local environmental requirements on establishing ecological buffer zones, wildlife corridors and indicate areas for protection use. At the same time, we respect local customs and do our part in preserving local heritage sites (such as burial sites, temples, etc) . In addition, APP China has strict regulations against the use of high conservation value land, such as natural forest, nature reserves and so forth for plantation establishment.

Legal Harvesting

Plantation harvesting is an important part of a forestry company operation, and in China there are clear and strict regulations that govern the use and removal of forest resources.

APP China's forestry business units operate according to our Plantation Harvesting Instruction Guide, Harvesting Operations Manual, and other management regulations to ensure that plantations are harvested in a rational, orderly, and safe way. Improving the quality and efficiency of harvesting operations helps to reduce the negative social and environmental impacts of harvesting processes. Each of our forestry business sub-units begins to collect data on plantations as soon as they are planted and continues to collect data during tree growth, reporting the data to local forestry bureaus as required by law. The forestry business units monitor tree growth and use this information to apply for harvesting permits.

The logistics management department deals with post-harvest timber transport for sale or to processing facilities. This process is carefully managed according to strict government regulations, and checkpoints are set up on main roads to check that timber being transported is done so legally.

As an integrated "Plantation-Pulp-Paper" company, APP China uses timber as raw material for making pulp and paper. The timber we use is primarily transported domestically and we file all relevant documentation to ensure smooth transport. Our Forestry Business Unit Head Office has developed specific standards for transporting timber, including our Regulations on Harvesting and Transportation Management—a section of our Eucalyptus Planting Standard Operating Procedures (SOP) Manual—and our Harvesting SOP Manual, which includes a section on transporting seedlings and timber, and handling permits. Our SOPs are clear and consistent and in line with relevant laws and regulations.

Managing Health & Safety

Some plantation operations often involve physically-intensive labor work. In APP china, we view work environment safety as one of our top responsibilities. By strengthening plantation risk management—including the risks of fires, illegal logging, pests and diseases—and providing staff with health and safety training to raise their awareness, we can improve overall supervision and prevent accidents. These actions raise our levels of safety, reduce risks to the plantations, and ensure that plantations are managed safely.

Employee Safety

Employee safety is at the core of safe plantation management. In 2008, we complied with relevant health and safety laws, provided training to employees, and managed health and safety incidents appropriately.

- Improved procedures related to plantation management and labor contracts, ensuring that occupational health is included in labor contracts.
- Continued to publicize major issues and best practices to raise safe production awareness among site staff. Sharing our analysis of previous accidents helps prevent future occurrences.
- Continued to improve our occupational health and safety training, inviting experts to provide training for staff on key issues.
- Regularly provided employees with health checks to maintain their good health.

Plantation Safety

To protect the plantations, APP China's forestry business units undertake many activities.

Forest Fire and Illegal Logging Prevention

- Implementing a fire prevention system.
- Establishing a chain of custody system to manage and control the flow of timber.
- Establishing plantation protection teams and cooperating with local government departments.
- Increasing plantation fire inspections.
- Conducting regular fire drills and improving the fire control team's experience and skills.
- Introducing trainings and public awareness campaigns on fire prevention.

Pests and Diseases Control

- Based on government recommendations, undertaking a rapid assessment of high-risk pest and disease measures that could be implemented.
- Providing training for staff on common pests and diseases, and products to control them.
- Researching low-impact methods for addressing pests and diseases.
- Prohibiting the use of any hazardous chemicals listed under the World Health Organization as Type 1a and 1b list.



A fire drill is held in Chongzuo forestry district unit, Guangxi

Health and Safety Statistics in Forestry Business Units

Year	Employee Numbers	Work-related deaths	Work-related injuries (incidents)
2006	2,688	1	11
2007	3,869	2	19
2008	1,744	0	15

Notes: Cause of deaths: traffic accidents

Cause of injuries: a) traffic accidents, b) injuries inflicted by timber theft, c) injuries incurred from daily operations (e.g. slips, cuts, etc.)

Managing with Science & Technology

Given our emphasis on advanced scientific principles in plantation development, we have set up state-of-the-art research and development (R&D) centers and nurseries. Located in Dingan County in Hainan Province and Qinzhou City in Guangxi Zhuang Autonomous Region, these facilities conduct cutting-edge research on rapid propagation and advanced cultivation techniques. In developing fast-growing and high-yield plantations, APP China has adopted SOP standards for plantation establishment, digital management, and mechanization.

Scientific Cultivation

Our cultivation centers are the largest of their kind in China, and are leaders in the study of plant variety improvements, plant tissue culture, mycorrhizae production, soil, fertilizers and pests. Through research and development, we seek to make further improvements in plantation productivity while at the same time ensuring plantation health and diversity. Cultivating beneficial plant strains will allow for more efficient fertilization and help us to better maintain plantation health.

By the end of 2008, our cultivation center for research and development had collected 66 genes for breeding eucalyptus and developed 24 asexual varieties of eucalyptus.

not only enhanced work efficiency, increased plantation productivity, and optimized land utilization, thus reducing the need to exploit new land, but also increased timber harvest byproducts and enhanced recycling of soil nutrients, in a way to support ecological function.

Conducting scientific experiments to improve wood quality



A delegation from Australia visits Guangxi Nursery

Digital Management

We use modern science and technology applications to improve plantation management. Technologies such as Global Positioning System (GPS), automatic mapping systems and individual plantation compartment management systems help us measure and monitor plantation resources and track key documents. Plantation field management systems enable our staff to use mobile phones to transmit updated information via our internet platform. This means that managers at all levels can use remote management tools to control plantation operations, which helps maximize our resources.

Mechanization

To enhance plantation efficiency, APP China has been introducing machines into its plantation operations since the late 1990s. Machinery is used for tasks such as clearing plantation ground, weeding, soil preparation and harvesting timber. The mechanization of operations has

Managing Plantation Ecosystem

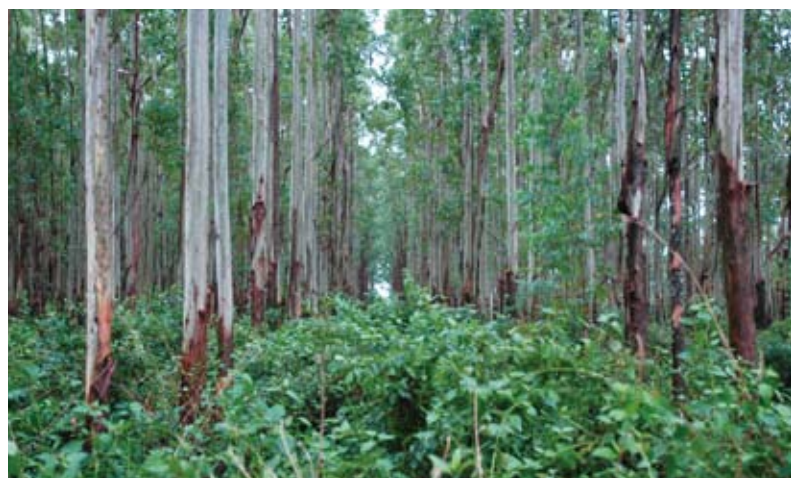
APP China has always been concerned about the effects of plantations on the environment throughout the plantation life-cycle. Our forestry business units have established a specialized environmental management system and are committed to protecting the diversity of the plantation, along with its water, soil, and natural ecosystem.

Six of APP China's subsidiary plantation companies have already been certified under the ISO14001 Environmental Management Systems, and are the first plantation companies in China to receive this accreditation.

Protecting Ecosystem Diversity

To protect the biodiversity of plantation ecosystems, from the initial plantation planning stage through post-harvest retrieval, our forestry business units take a methodical and scientific approach at each step, with the goal of maintaining ecosystem function.

- Carefully plan for new plantations. To protect the natural vegetation in mountainous areas, we set aside 10-meter buffer zones and plan the composition of tree species according to local conditions. We minimize the spatial concentration of plantations, maintain diversity of tree species, and protect water and soil resources during the initial planting process.
- Fully utilize the plantation. For areas that are unsuitable for high-yielding plantations, we cease plantation activities and allow the natural vegetation to regenerate.
- Select tree species according to local conditions, and protect species diversity.
- Use organic fertilizers as much as possible. This reduces soil contamination and boosts fertility while lowering costs. We promote the use of green manure and intercropping. With these methods, we can suppress weed growth, reduce herbicide use, and increase soil organic matter.
- Emphasize land management and the recycling of harvest byproducts. We prohibit the use of clear-cut or slash-and-burn methods in order to protect the vegetation. After the harvest, we leave remaining bark and leaves at the site to add organic matter and nutrients and increase soil fertility, and we use green manure to improve soil fertility in areas with poor soil. We also retain the understory vegetation, in order to maintain an ecosystem of trees, shrubs, and grasses. We encourage the intercropping of trees such as eucalyptus and acacia to help create a more diverse and sustainable plantation ecosystem.



Eucalyptus

Eucalyptus trees are known for their rapid growth, short rotation period, and pest resistance, all of which make them a very popular high-yield plantation species in tropical and subtropical areas. The UN Food and Agricultural Organization has recommended eucalyptus species as one of four high-yielding trees ideal for plantation use. Although there have been some concerns about negative environmental impacts of eucalyptus plantations, such as their consumption of substantial amounts of water and nutrients, APP China is confident that our scientific forest management is effectively minimizing negative environmental impacts. We take measures to limit soil erosion, and design our plantations and SOPs based on local topographic and soil conditions. Our research, supported by the State Forestry Administration Eucalyptus Research and Development Center's "Declaration on the Ecological Impacts of Eucalyptus Plantations," shows that if eucalyptus plantations are managed appropriately, soil fertility can be maintained, along with diversity of species in the forest understory. Eucalyptus plantations can also support hydrological function, rainwater infiltration, and groundwater levels.

Due to the high levels of domestic demand for timber resources, high-yielding plantation species are an important component of China's national forest policy. If planted in accordance with local conditions, eucalyptus is an effective and appropriate choice for managed plantations and is actively supported by government agencies at the local, provincial and national levels, in order to help alleviate resource pressures. APP is committed to sustainable and efficient plantation management, and will continue to work with government and research partners to meet that goal.

Protecting the Water Cycle and Preventing Soil Erosion

One of the main responsibilities of our forestry business units is to protect local hydrology and efficiently use water and land resources while limiting anthropogenic water pollution, thus improving the ecological environment as well as operational conditions.

We take precautions in the storage, transport and application of fertilizer. We prohibit open air storage of fertilizers as well as uncovered transport. We also require that fertilizer is buried at a 20cm depth and not applied at the surface. Moreover, fertilizer bags must be properly collected, so that fertilizer residue does not pollute nearby water bodies.

Throughout the various stages of soil preparation, tree planting and cultivation, our regulations are closely linked to topographic conditions, and we clear and weed within the framework required by the National Afforestation Technical Regulations.

For our nursery operations, we have established a wastewater retention pond in which pollutants are treated, in order to protect the quality of local water resources.

Reducing Resource Consumption

To help mitigate climate change, we are reducing the environmental impact of our production and operation processes. Our forestry business units have adopted several

measures to improve resource efficiency, reduce resource consumption, and protect the environment.

- Reducing fertilizer use: In 2008, we made significant efforts to promote green manure and reduce the use of chemical fertilizers.
- Making technological improvements to reduce resource consumption: Our forestry business sub-unit in Henan used machinery along with a new skill development activity (SDA) to improve mechanized fertilizer application. By using a three-in-one method for digging holes, we apply fertilizer which is covered with soil. This covered 6,533 hectares and reduced the cost of fertilizer application by RMB 378.3 per hectare.
- Reducing energy consumption and emissions in offices: We reduced power consumption for air conditioning and refrigeration, encouraged video conferencing, utilized more electronic signatures, and reduced faxing, printing, and the use of toners to reduce our carbon footprints. We also reduced our use of office supplies, improved office management, and took measures to ensure that staff turned lights off when not in use to reduce power consumption.
- Maximizing our use of resources: Our forestry business units improved their site management by creating a guidebook with clear requirements for timber use. In 2008, we were thus able to make use of all timber with a minimum diameter of 3 cm.

Implement terracing planting on mountainous area to reduce soil erosion



Forestry Business Units' Energy Consumption

Energy consumption (unit: GJ*)	Gasoline consumption	Diesel consumption	Electricity consumption
2006	4,491	1,804	5,387
2007	4,908	1,521	5,823
2008	3,664	348	8,380

Note: *GJ stands for gigajoule, 1 gigajoule = 1 billion joules.

2008 Forestry Business Units' Water Resources Use

Water resources use (unit: tons)	Total water consumption	Total water withdrawn	Amount of water untreated	Amount of water treated	Total water discharged
2008	238,435	247,013	3,218	5,360	8,578

Environmental Performance Monitoring

APP China works with major research institutes and universities through short- and long-term partnerships to monitor plantation inventory, soil fertility, soil erosion, biodiversity, and water quality.

In Hainan, we have established two environmental monitoring projects. We commissioned the Research Institute of Tropical Forestry, Chinese Academy of Forestry to conduct a long-term impact assessment of our plantation operations. On January 12, 2007, South China Agricultural University and three other universities were recruited by APP China to conduct a comprehensive biodiversity survey and conduct understory vegetation trainings for our staff over the duration of 2007 and 2008.

In September 2008, the Environmental & Sustainability Department from APP China's Forestry Business Unit began in-depth reviews and reporting on its environmental performance. These internal quarterly reports comprise reviews of the environmental performance of all its forestry subsidiaries, allowing the sharing of information and providing references to top management to aid decision making. In addition, these reports are made available to staff for continual improvement.

Environmental Management System Certification

APP China Forestry Business Unit has participated in the development and implementation of China's plantation management standards, actively promoting certification of Chinese forests and recognition by PEFC. To achieve this goal, we apply internationally recognized plantation management standards to our plantation management as part of our commitment to managing our plantations sustainably.

As early as October 12, 2001, six of APP China's subsidiaries, located in Hainan, Guangdong and Guangxi, had established their environmental management systems and achieved ISO 14001 Certification from DNV (Det Norske Veritas). These were the first plantation companies in China to become certified and, over the years, we have continued to attach great importance to maintaining our environmental management system to ISO14001 standards. We have continued to integrate our environmental management system with our daily operations to improve decision making and staff performances. We have effectively managed plantation resources, and our organizational management has become more standardized and scientific.

As of November 7, 2008, the following APP China forestry companies have achieved ISO14001 Certification and passed annual audits.

List of APP China ISO 14001 Certified Forestry Service Units

Company	Date of Certification	Certification Body
Hainan JinHua Forestry Co., Ltd.	2001.10	DNV
Jin Qingyuan Timberland (Paper Mill) Ltd.	2001.10	DNV
Jin-Shaoguan First Quality Timberland (Paper Mill) Ltd.	2001.10	DNV
Guangxi Jin Gui Forestry Co., Ltd.	2001.10	DNV
Guangxi Jin Qinzhou High-Yield Forestry Co., Ltd.	2001.10	DNV
Guangxi Golden Sun Forestry Co., Ltd.	2005.10	DNV

In the future, we will conduct an environmental impact assessment, and will make the necessary improvements to reduce our environmental impacts based on these results. To do this, we will continue to monitor the impact of our operations from an environmental and safety perspective. This will help us to control risks and promote the economic benefits of good environmental management. In addressing climate change, we will monitor our carbon sinks and operational emissions, and establish a benchmark for our group's goals and strategies. By increasing training for staff to raise their awareness of environmental protection, safety, and their individual sense of responsibility, we aim to support the sustainable operation of our plantations.



Sustainable Pulp and Paper Manufacturing

As a responsible company, APP China strives to be environment-friendly and minimizes its use of resources. In implementing cleaner production techniques, we promote the modernization of China's paper industry—away from its outdated highly-polluting and high-energy consuming ways, to stronger performance on par with international standards.

In 2008, we took responsibility for ensuring that our production standards met the highest standards of environmental protection. We strove to improve our facilities, technologies, and management to reduce our environmental impact.

In 2009, we will continue to promote cleaner production so that we can create an eco-friendly paper company.

In 2008, the number of environmental incidents at APP China's 6 main pulp and paper mills that led to penalties was **0**.

In 2008, APP China's 6 main pulp and paper mills treated **100%** of solid waste.

In 2008, **6** pulp and paper mills of APP China included in the scope of this report achieved PEFC-CoC Certification.

APP China Sustainable Pulp and Paper Manufacturing Management System

By operating in accordance with our management philosophy, “Benefit Nature Through Plantations; Benefit Humanity Through Pulp and Paper Making,” we are able to realize our core economic, social and ecological contribution, through the cultivation of plantations and the environment-friendly production of pulp and paper.

We integrate sustainable development into production and management practices in compliance with national and local laws and regulations. Through the use of advanced technology and continuous innovation, we aim to ensure cleaner and safer production and promote our company’s social, environmental, and economic agenda—with the key goal of achieving sustainable development in harmony with people and nature.

APP China's Sustainable Pulp and Paper Manufacturing Commitments

Item	Unit	APP China Commitment	National Standard as of 2008	New Standards to be implemented from May 1, 2009	Leading International Level ²
Water usage / ton of paper	ton of water/ ton of paper	≤10	/	/	12-18
Wastewater discharge / ton of paper	ton of water/ ton of paper	≤9	60	20	/
COD emission / ton of paper	kg / ton of paper	≤0.61	6	2*	/
Water usage / ton of pulp	ton of water/ ton of pulp	≤28	/	/	35-41
Wastewater discharge / ton of pulp	ton of water/ ton of pulp	≤17	220	80	/
COD emission / ton of pulp	kg / ton of pulp	≤2.16	88	16*	8

Note: 1. * denotes data after conversion; 2. Data source: European Union Pulp and Paper Industry Environmental Guidelines (IPPC, December 2001)

Hainan Jinhai Pulp & Paper Mill



Responsible Procurement

To protect natural forests and other forests with high conservation value, APP China enforces a strict policy on the supply of its raw materials.

APP China's subsidiaries strictly abide by the country's regulations such as the Forestry Law, Plant Quarantine Regulations, Timber Management and Transportation Practices and other relevant laws related to the procurement of raw materials. The Forestry Business Unit has developed a Raw Material Procurement Practices Guide and Raw Materials Procurement Contract to regulate raw material acquisition and ensure suppliers' sustainability practices. The Forestry Business Unit also inspects timber sources, at both regular intervals and through spot-checks, to ensure they are legally sourced.



APP China's Commitment Regarding the Supply of its Raw Materials

In 2004, APP China publicly announced a commitment to protect the environment regarding the supply of its raw materials. We pledged:

- To use only raw materials from plantations.
- To abide by our policy which prohibits the use of raw materials obtained from the destruction of primary forests or high conservation value forests (HCVF).
- To purchase legal raw materials from China and abroad.
- To adhere strictly to national and international legislation governing the trade of wood-related products.



PEFC-CoC Certificate provided by a supplier

2008 Pulp and Paper Mills' Raw Material Sources

Raw Material (Unit: tons)		Gold East	Gold Huasheng	Gold Hongye	Ningbo Zhonghua	Ningbo Asia	Hainan Jinhai
Total Paper pulp		1,149,449	342,749	130,380	304,722	366,690	0
Type of paper pulp	Mechanical (wood) pulp	1,015,759	31,184	0	148,052	174,076	0
	Chemical pulp	133,690	311,564	130,380	156,670	192,614	0
	Certified pulp	135,676	11,379	25,900	4,211	3,148	0
Location of pulp sourced	China	171,952	77,103	24,600	34,960	39,990	0
	Imported	977,497	265,646	105,780	269,762	326,700	0
Location of wood fiber sourced	China	0	0	0	0	0	3,110,755
	Imported	0	0	0	0	0	1,282,504
Volume of recycled wood		0	0	0	0	0	4,393,259



Gold East uses modern paper-making equipment

Product Quality

Inspired by our goal of “Challenging Limits in the Pursuit of Perfection,” we are leading efforts in the industry to introduce advanced technologies and equipment for paper production to ensure product and service quality and support the Chinese paper industry’s progress towards reaching international quality standards.

Leading Global Technology

Gold East Paper has two papermaking machines by Voith Sulzer from Germany, and two coating machines supplied by Metso from Finland. In 2005, we invested in PM3, which is a coating machine capable of coating 1,800 meters per minute, a new record for printing paper. These three paper machines frequently break new production records. In order to provide customers with higher-quality products, Gold East Paper has established a dedicated research and development department. It has also established a Papermaking Chemicals Research Center at Peking University with a number of post-doctoral positions, which is a valuable resource for the development of new technology.

Gold Huasheng has a total of four paper machines and five coating machines. Among these, the carbonless coater is the world’s largest coating machine. Gold Huasheng also adopts the ABB continuous and automated quality control system with on-line total control systems (TCS) and quality control systems (QCS), ensuring every sheet of paper is on par with international standards.

Gold Hongye operates two crescent former tissue machines at a speed of 2,000 meters per minute each, making them the world’s largest and most advanced tissue production lines. Gold Hongye also runs world-class converting machines. Production is fully automated, ensuring strict consistency and guaranteeing high product quality.

Integrated Work Processes that Create the World’s Best Pulp Products

At the start of the pulp production process, Hainan Jinhai produces uniform, high-quality wood chips using modern cutting and wood sifting equipment. These chips are delivered for cooking via an enclosed conveyor system. Our advanced technology allows lower temperatures to be used, reducing the consumption of energy and alkalis while also increasing the efficiency of wood chip washing. This results in higher consistency of pulp quality and increased bleaching ability (thus saving on bleaching chemicals). After cooking, the wood pulp is filtered to remove impurities and an oxygen delignification process is used to remove more lignin from the pulp, making it much easier to bleach. This means that a smaller amount of bleaching chemicals is needed to achieve a high degree of whiteness. To improve the quality of the bleached pulp, impurities are removed before the pulp is dried. The pulp is then pressed to remove water, dried, cut, and packaged to be made into pulp products. This completes the pulp production process. Jinhai Pulp & Paper also uses advanced distribution control systems (DCS) and quality control systems (QCS) to implement automated monitoring and control of the pulp production process, which ensures excellence in pulp quality.

Safe Production

Employee health and safety is a top priority and is important to the company's development. In 2008, we increased our allocation of resources to safe production in order to improve the systems, structures and people responsible for safety. This allows for complete safety controls, and a supervision and management system with the following features:

Improved Safety Systems

Gold East established an occupational health and safety management committee and a specialized risk assessment team to identify, analyze, and control corporate risks and hazards. Gold East participates in APP China's risk assessment process each year.

Gold Huasheng implemented a work safety management system, and established a specific electronic platform which improved work efficiency and work safety.

Ningbo Zhonghua Paper and Ningbo Asia Pulp & Paper improved their construction standards and established an occupational health and safety management plan, an education and training system and an occupational health and safety hazards monitoring and assessment system. They worked to ensure accountability at each level for fire safety and improve coordination between departments to establish a fire detection system that can quickly detect and thus speed up removal of any fire hazards. They also improved their fire emergency systems and planned to increase their fire fighting equipment.

Increased Investment in Safety Resources

Ningbo Zhonghua Paper and Ningbo Asia Pulp & Paper established a special fund for safe production. They also increased education on safe production, emergency response, accident investigation, and handling of major accidents, as well as purchases of necessary equipment and products.

Gold East has installed automatic fire alarms, sprinkler systems, and closed circuit monitoring systems in warehouses, office buildings, and packing rooms. They also run their own full-time fire brigade.

Checking Safety

Gold East's security officers conduct daily random checks of staff and facilities to inspect the safety and firefighting equipment. The security and safety facilities are carefully maintained; staff are frequently monitored to ensure they are properly implementing safety measures and are not in violation of any labor regulations; and problems are immediately identified and reported to the public authorities. Moreover, they hold weekly department meetings to emphasize health and safety issues for their staff.

Hainan Jinhai has industrial safety inspectors working 24 hours per day on site. Every three days, they conduct a complete safety review of the entire facility, and rectify any issues. In 2008, 129 potential safety issues were identified and addressed.

Safety Training and Awareness Raising

Raising awareness and disseminating knowledge about safety is an important element in building a safe production culture throughout the company. Over time, we are systematically establishing safe production training and awareness systems that cover all workers.

For example, every quarter, Gold East conducts a two-hour safety training for all employees. Moreover, it has established an injury and incident reporting system and prepared detailed emergency response plans, and practice drills are frequently held. Through regular training and exercises, Gold East aims to improve employees' response to emergencies. This also helps us prevent accidents from occurring, which is in the best interest of our employees and our customers.

2008 Pulp and Paper Mills' Employee Health and Safety

	Employees	Work-related deaths	Work-related injuries (incidents)
Gold East	5,384	1	13
Gold Huasheng	2,984	0	12
Gold Hongye	4,486	0	14
Ningbo Zhonghua	1,595	0	4
Ningbo Asia	1,570	0	4
Hainan Jinhai	2,615	0	12

Note:

1.Cause of death at Gold East: On October 23, 2008, a belt on a grinding machine did not have a protective cover and because of the employee's low safety awareness, the employee came too close to the machine which caused the employee's death. After the accident, Gold East immediately improved the related SOPs and provided training to employees.

2.Cause of injuries at mills: a) Staff non-compliance with relevant equipment operation manuals; b) lack of staff attention.

An employee from Hainan Jinhai undertakes maintenance work





Gold East provides safety training to all of its employees

Cleaner Production

We take our responsibility in protecting the environment very seriously. We strongly believe in operating the company in a way that produces pulp and paper cleanly. In 2008, we continued to invest in cleaner production by upgrading technologies and equipment to improve our environmental performance, ensuring that our emission levels are far below the national standards.

Improve Energy and Resource Efficiency and Cost-Effective Production

We view improving efficiency in our use of energy and raw materials as an important part of our responsibility to conserve natural resources. So far, we have achieved a steady rate of decrease in annual energy, material, and water consumption by improving our technology and management processes.

Gold Huasheng Paper plays a leading role in Suzhou's industrial development, with an investment of RMB 5 million in new power and lighting equipment, saving 4,000 tons of coal and reducing carbon dioxide and sulfur dioxide emissions. Between 2005 and 2008, Gold Huasheng saved 29,100 tons of coal. Gold Huasheng Paper's excellent energy management and energy-saving reductions have been recognized by the Suzhou Industrial Park Administrative Committee.

In 2008, Ningbo Asia Pulp & Paper upgraded a fan in their thermal power plant, creating approximately RMB 1.60 million in annual savings. They also carried out projects to reduce mill power consumption, with annual savings of approximately RMB 2.5 million. By upgrading the pulp de-

inking machine and making greater use of T pulp, Ningbo Asia greatly increased raw material use efficiency, creating annual savings of approximately RMB 34 million and establishing itself as an industry leader. All these upgrades reduce energy and resource usage and improve efficiency.

Hainan Jinhai Pulp & Paper continued to improve production processes, reducing the usage of certain chemicals, generating less pollutants, increasing the efficiency of water use, and making the most of waste streams like bark, sawdust, and white water. In 2008, Hainan Jinhai reduced its consumption of coal by 60,800 tons, reducing emissions of sulfur dioxide by 163 tons. Hainan Jinhai also recycled 2.81 million square meters of water (95%) and ensured that the quality of its wastewater was better than Level I of the cleaner production standard for the paper industry, HJ/T 340-2007. In terms of tons of wastewater discharged and COD emissions per ton of pulp, Hainan Jinhai's performance was better than both China's present standards and the new standards that would be implemented in the near future.

2008 Pulp and Paper Mills' Energy Usage

Energy usage (GJ)	Gold East	Gold Huasheng	Gold Hongye	Ningbo Zhonghua	Ningbo Asia	Hainan Jinhai
Coal	27,195,055	10,509,731	0	7,431,364	12,812,016	7,678,897
Gasoline	6,476	487	2,808	272	2,313	7,258
Diesel	178,309	71,677	1,202	3,474	30,424	18,448
Fuel oil	0	0	0	0	32,965	516,740
Paper/Pulp black liquor (biofuel)	0	0	0	0	0	25,406,489
Natural Gas	1,894,803	295,414	405,379	0	0	1,848,122
LPG	372,920	16,042	10,571		0	0
Total electricity consumption	5,288,945	10,509,731	626,796	1,630,231	2,722,914	4,343,966

Note: Gold Hongye's coal usage data is combined with Gold Huasheng's.

2008 Pulp and Paper Mills' Water Efficiency

Water consumption, treatment and discharge (unit: tons)	Gold East	Gold Huasheng	Gold Hongye	Ningbo Zhonghua	Ningbo Asia	Hainan Jinhai
Total water consumption	20,031,948	9,719,277	1,849,798	9,996,254	13,209,000	35,206,811
Wastewater treated	15,098,885	6,152,249	1,364,777	12,314,339	12,798,168	19,261,000
Total discharge	8,459,426	6,152,249	1,364,777	7,722,682	10,624,214	19,261,000
Annual average water consumed per unit of product (per ton of paper or pulp)	7.19	10.62	12.61	12.57	11.5	28.56

Efforts to Save Energy and Reduce Emissions

APP China's three largest mills (Hainan Jinhai Pulp & Paper, Gold East Paper and Ningbo Zhonghua Paper) have actively implemented a number of strong measures that save impressive amounts of energy and result in major reductions in emissions.

Hainan Jinhai reduced emissions from its offices and staff quarters as well as production processes. In November 2008, the company installed energy-efficient lighting in the administration building, the central control building, and the washrooms in the plant and staff dormitories. In the office areas, one-third of lights were removed, leaving only the most efficient ones on, and of the street lights around the plant, every other light was turned off.

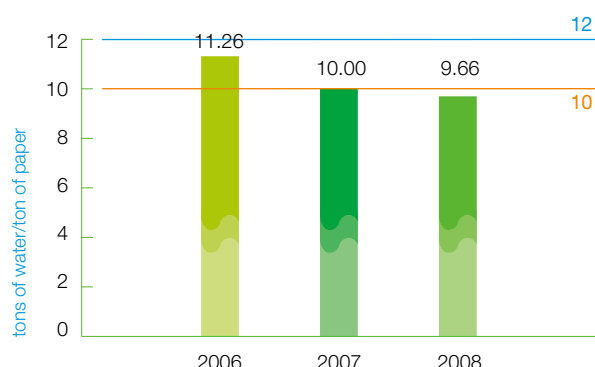
Gold East Paper encouraged employees to save energy creatively. Over 7,800 suggestions were received, many of which have been implemented. Due to these and other efforts, from January to October 2008, energy consumption per unit of production declined by 9%.

Ningbo Zhonghua Paper and Ningbo Asia Pulp & Paper carried out a number of activities under the theme "Year of Waste Reduction" to encourage employees to find opportunities to reduce waste in production and elsewhere. The organizing committee for this project collected over 300 ideas related to pulp-making, painting, finishing, and other parts of the business.

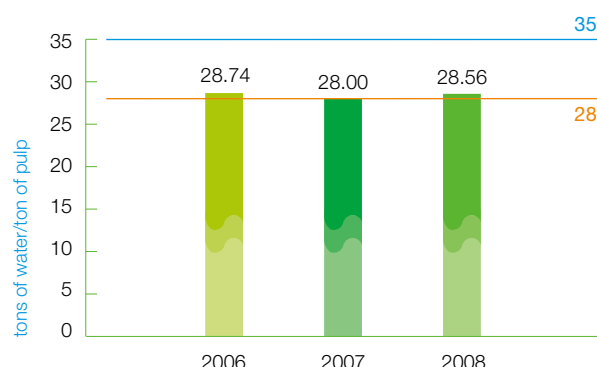
2008 Pulp and Paper Mills' Sharing Energy

Company	Energy type	Benefited Company	Total energy sold (GJ)
Gold East	Steam	Neighboring companies	64,307
Ningbo Zhonghua	Electricity	East China Power Grid	40,536
Ningbo Asia	Steam	Neighboring companies	1,168,590
	Electricity	China Power Grid	57,214
Gold Huasheng	Steam	Gold Hongye	804,305
	Electricity	Gold Hongye/Jinzhuang Chemical/Shengchang Additives	676,065
Hainan Jinhai	Steam	Hainan Gold Hongye	802,014
	Electricity	Hainan Power Grid/Hainan Gold Hongye	833,423

Average Water Consumption Per Ton of Paper



Average Water Consumption Per Ton of Pulp



Note: The data is the average of all the mills included in the scope of the report

— APP commitment — International best practice

In August 2008, Gold East Paper applied to be listed on China's A-share stock market. During the Ministry of Environmental Protection's (MEP) 10-day consultation period, the MEP and Gold East Paper received feedback from six environmental NGOs referring to issues related to the company's clean production and environmental protection record. Upon receiving the feedback, APP China communicated with those organizations as well as MEP and cooperated with them for secondary verification. APP China clarified the misunderstandings and enforced certain pollution control measures to address any issues. The issue was notified again by MEP from March 2 to 11, 2009. In June 2009, MEP made a public statement confirming that Gold East Paper met the basic environmental requirements to be listed and had passed the environmental verification process.

APP China is grateful to the environmental NGOs and media for their concerns and suggestions on our sustainable development. We will continue to have ongoing and frank discussions with these stakeholder groups and the dialogue will continue to help us address the issues facing the paper industry, and in particular will help our industry develop in harmony with the environment.

Achieve Greener Cycle of Papermaking by Emphasizing Recycling Resources

APP China places great importance on cleaner production in its pursuit to improve energy efficiency, and we also emphasize the reuse and recycling of resources to achieve a greener cycle of papermaking.

Wastewater Management and Recycling

The process of cooking wood chips produces large quantities of lignin residue as a byproduct. This alkaline, dark brown liquid is commonly known as "black liquor". Hainan Jinhai Pulp and Paper has invested large sums in wastewater management to develop state-of-the-art facilities to completely recover and recycle the black liquor as fuel for the cooking process. The heat generated by burning the black liquor is used to generate electricity, meeting most of the energy needs in the mill. This strategy has helped to greatly reduce production costs while protecting the environment.

The pulp- and paper-making process results in the production of both alkaline and acidic wastewater. Our pulp and paper mills minimize the usage of water and chemicals by using advanced technologies and equipment, and the water in the system is continuously recycled to reduce wastewater discharging. After a three-step purification process, the discharged wastewater is much better than the national standards, and can even be used for irrigation or rearing fish.

2008 Pulp and Paper Mills' Water Recycling

Water use	Gold East	Gold Huasheng	Gold Hongye	Ningbo Zhonghua	Ningbo Asia	Hainan Jinhai
Recycled water use as a percentage of total water use	85%	97%	97%	85%	89%	95%

Note: Wastewater discharged from Gold Hongye is treated in Gold Huasheng with equal standard.



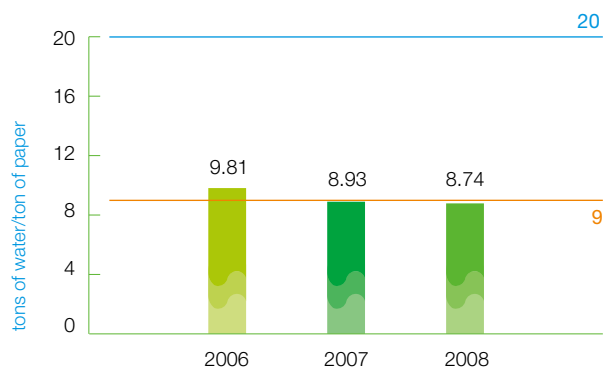
At Hainan Jinhai recycled water is used in fish ponds

Pulp and Paper Mills' Effluent to Water

Indicator (mg/m3)	Yea	Gold East	Gold Huasheng	Gold Hongye	Ningbo Zhonghua	Ningbo Asia	National Standards	Hainan Jinhai	National Standards
Biochemical Oxygen Demand (BOD) monthly average emissions concentration	2006	7.25	12.7	5.0	9.9	10.0	60	4.0	70
	2007	6.68	10.0	5.0	23.3	10.0	60	4.0	70
	2008	5.92	5.8	5.0	13.5	10.0	30	5.0	50
Chemical Oxygen Demand (COD) monthly average emissions concentration	2006	55	62	62	96	75	100	156	350
	2007	56	55	55	94	77	100	131	350
	2008	54	49	49	95	73	100	117	200
Suspended Solids (SS) monthly average emissions concentration	2006	51	26.2	26	34	13	100	8	100
	2007	48	22.8	23	37	15	100	14	100
	2008	25	19	19	42	11	50	28	70

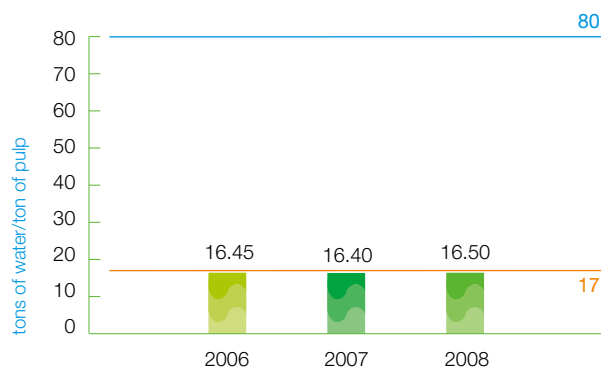
Note: Gold Hongye's emissions data is combined with Gold Huasheng's data.

Average Wastewater Discharged Per Ton of Paper



Note: The data is the average of all mills in the scope of the report.

Average Wastewater Discharged Per Ton of Pulp



— APP commitment — National Standards

Gas Emissions Management

For gas emissions, we adopt three measures to ensure that the quality of all treated gases are well within environmental standards:

- The malodorous gas produced in the pulp-making process is sent for combustion in the alkali recovery boiler via a fully-enclosed system which effectively recovers cooked sulfide at the same time.
- Waste gases produced from the pulp bleaching and chemical production process are chemically treated to eliminate pollutants before being released into the atmosphere.
- Dust in gases generated from boilers and limekilns has the electrostatic precipitate removed before the gases are released into the atmosphere.

Hainan Jinhai Pulp & Paper continuously improves its odor emissions. In addition to an initial investment of RMB 12 million for odor treatment, in 2008, they invested a further RMB 360 million to install the #2 Alkali Recovery Boiler which was put into operation in May 2008 to recover the odor released during pulp production. The quality assurance department has also strengthened odor monitoring. With these measures, the mill's odor emissions have remained stable and within the legal standards. In October 2008, Hainan Environmental Monitoring Center inspected the mill and tested odor emissions, and confirmed that they reached Level II of the new standards.

Since being constructed, Hainan Jinhai has been at the forefront of the company's efforts to reduce its impact on the environment. Hainan Jinhai Pulp & Paper will continue to apply stringent requirements in its production processes and improve compliance.

Pulp and Paper Mills' Emissions to Air

Indicator (mg/m ³)	Year	Gold East	Gold Huasheng	Ningbo Zhonghua	Ningbo Asia	Hainan Jinhai
Monthly average sulfur dioxide (SO ₂) concentration	2006	725	350	1,185	226	115
	2007	894	300	896	166	110
	2008	894	230	952	215	122
Monthly average Nitrogen Oxides (NO _x) concentration	2006	no statistics	170	73	182	204
	2007	355	170	111	148	203
	2008	363	160	90	132	211
Monthly average Particulate Matter (PM) concentration	2006	88	100	262	46	38
	2007	101	100	141	26	38
	2008	109	90	247	15	28

Note: 1. Gold Hongye's emissions data is combined with Gold Huasheng's data.

2. National Standards for Gas Emissions differ based on equipment and times. Various data of APP China is better than National Standards.

Solid Waste Recycling and Reuse

Through scientific management, our pulp and paper mills have greatly reduced the impact of our solid waste on the environment. The waste generated in the production process—including bark, wood chips, pulp residue, sludge and other solid waste—is burned in multi-fuel power boilers. "White sludge" (mainly composed of calcium carbonate) generated in the alkali recovery process is sent to the lime kilns for combustion and recycling, while the "green sludge" generated is recycled as a raw material for making cement.

2008 Pulp and Paper Mills' Solid Waste Disposal

Indicator(unit: tons)	Gold East	Gold Huasheng	Ningbo Zhonghua	Ningbo Asia	Hainan Jinhai
Sludge	82,327	23,787	104,215	233,962	250,322
Fly ash	234,200	103,946	116,195	196,449	51,496
Dregs & Grit	82,762	55,971	18,597	48,577	56,595
Solid waste treatment rate	100%	100%	100%	100%	100%

Note: Gold Hongye's emissions data is combined with Gold Huasheng's data.

Waste Paper Recycling

Of all paper-based industrial enterprises, Ningbo Zhonghua and Ningbo Asia are among China's largest users of recycled waste paper as raw materials, recycling more than 200,000 tons and 400,000 tons of waste paper respectively each year (of a total annual capacity of 300,000 tons and 1,000,000 tons). They collect newspaper, office paper, magazines, and other sources as raw materials for high-quality industrial cardboard packaging. One ton of waste paper can be used to produce 0.8 tons of paper, which saves 17 trees from being cut down and 3 cubic meters of landfill space. In addition, only half as much energy is needed to process waste paper compared to making new paper, which saves around 17 million trees from being cut down each year. Ningbo Zhonghua and Ningbo Asia's active use and recycling of waste paper is helping to conserve limited forest resources. It successfully illustrates APP's environmental concept of implementing a green cycle.

Gold East's investments in environmental protection technologies and projects have exceeded RMB 1.15 billion. Since its inception, Gold East has implemented numerous initiatives for saving energy and reducing emissions. It developed strict regulations on wastewater treatment, noise control and waste disposal. It also embarked on initiatives for cleaner production, waste reduction and resource recycling to minimize the adverse impact on the environment.

In wastewater control, Gold East recovers 90% of white water and has a water reuse rate of 7%. Recycled wastewater is mainly used for suppressing dust around the plant, cleaning roads, watering the grass, flowers and trees, and irrigation. Gold East is able to reduce emissions by using CO₂ directly to produce light calcium carbonate for use in paper production, thus greatly reducing carbon dioxide emissions. To minimize the impact of our sludge emissions, the marble slag we generate is sent to the power plant boiler for flue gas desulfurization, the sludge cake is sent to the boiler to be burned and also desulfurized, and the fly ash is used by our contractors as construction materials for roads and brick production. Furthermore, Gold East Paper is working with our contractors to use fly ash to develop a new type of wall material, such as fly ash aerated concrete bricks. Through a series of advanced treatment measures, Gold East Paper achieves both ecological and economic benefits.

Environmental Management System and Certification

APP recognizes that establishing an environmental management system of international standard within the company plays an important role in improving its environmental management. In July 1998, Ningbo Zhonghua Paper became the first in China's paper industry to implement an environmental management system in accordance with ISO14001 standard, and in March 1999, became the first in the industry to be certified. Since then, APP China's other paper mills have also established environmental management systems and have received ISO14001 Certification.

In order to show the company's commitment to its environmental and social responsibilities, APP China has also promoted the sustainable development of plantation resources and continued to carry out environmental protection activities. APP China's subsidiaries, including Gold East Paper, Gold Huasheng Paper, Ningbo Zhonghua Paper, Ningbo Asia Pulp & Paper and Gold Hongye Paper have all been certified by SGS (Societe Generale de Surveillance) according to the PEFC Chain of Custody Standard. As of the end of 2008, six of APP China's pulp and paper mills in the scope of this report have all been certified. This reflects the approach we take of using a scientific procurement system to purchase pulp as raw materials and the implementation of a strict chain of custody system to ensure the legal sourcing of the raw materials for pulp-making.

In the future, we will continue to only buy legitimately sourced raw materials, implement cleaner production practices, and meet our sustainability commitments. Our efforts to make pulp and paper sustainably can set an example for the wider market.

The Six Pulp and Paper Mills in the Scope of the Report Achieved Environmental Management Systems Certification

Company name	Certification
Gold East Paper (Jiangsu) Co., Limited	ISO14001:2004, SGS PEFC-CoC
Gold Huasheng Paper (Suzhou Industrial Park) Co., Limited	ISO14001:2004, SGS PEFC-CoC
Gold Hongye Paper (Suzhou Industrial Park) Co., Limited	ISO14001:2004, SGS PEFC-CoC
Ningbo Zhonghua Paper Co., Limited	ISO14001:2004, ISO14064, SGS PEFC-CoC
Ningbo Asia Pulp & Paper Co., Limited	ISO14001:2004, ISO14064, SGS PEFC-CoC
Hainan Jinhai Pulp & Paper Limited	ISO14001:2004, SGS PEFC-CoC



Communicating and Responding to Stakeholders

Communicating with stakeholders improves sustainability efforts and makes a tangible difference to business performance. We attach great importance to establishing official channels of communication between groups, building mutual trust, and being transparent in order to create an effective environment for communication.

In 2008, we made extra efforts to learn about the views and expectations from our stakeholders on various levels of operations. Through the release of our Paper Contract with China, and through quarterly updates, we share our sustainable development challenges and progress with our stakeholders. In-depth communication with our stakeholders has improved our management as we seek to fulfill our promise of "Benefit Nature Through Plantations; Benefit Humanity Through Pulp and Paper Making."

In 2009, we will further strengthen our communication with our stakeholders while carrying out activities in line with our Paper Contract with China, particularly to address the specific issues facing our industry. We aim to improve our internal management systems related to stakeholder engagement as a crucial part of our overall drive towards contributing to a more harmonious society.

In 2008, our six large pulp and paper mills paid taxes and dues of RMB **1.4** billion.

After the Sichuan Earthquake on May 12, APP China donated RMB **24.5** million.

APP China's head office, forestry business units and six pulp and paper mills provided staff with training averaging **44** hours each.

Stakeholders and Communication Channels

We adhere to the principles of openness and transparency and both advocate for, and implement, sustainable practices across the pulp and paper industry. We focus on cooperative and constructive communication with our stakeholders. By working with others in the paper industry, we can actively work together to find and implement solutions to address the lack of resources, environmental pollution risks, and our economic responsibilities.

We have identified key stakeholders to communicate with on a regular basis. Engaging with our stakeholders allows us to address and meet their concerns on key issues that are important to our business.



Surveys of local residents give us feedback as part of our efforts to maintain good relationships with them

Stakeholder Group	Specific Stakeholder	Stakeholder Concerns	Communication Channels	Related Page
- Government	- National Development and Reform Commission (NDRC) - Ministry of Environmental Protection (MEP) - Local Forestry Bureaus	- Comply with national laws and regulations - Protect the environment and reduce environmental impacts - Protect the forests	- Regular reports - Daily communication - Industry forums - Quarterly reports	P15, P18, P20, P23, P35, P41
- Customers	- Customers	- Product price - Product quality - Source of raw materials - Environmental themes	- Focus groups - Service hotline - Regular communication and customer satisfaction survey - Quarterly reports	P23, P36
- Business Partners	- Banks - Suppliers	- Loan repayment ability and corporate reputation - Open, transparent bidding process - Environment	- Bidding Conference - Supplier associations - Quarterly reports	P35, P40-P41
- Employees	- Employees	- Career development - Benefits and compensation - Safe and healthy working environment - Environment and sustainability	- Labor union - Employee satisfaction survey - Employee associations - Family activities - Sports activities - Training - Philanthropic activities	P37-P39
- Third Party Organizations	- Non-governmental organizations - Academic research institutes - Media	- Comply with laws and regulations and operate ethically - Communicate timely and accurately - Environment and research	- Independent research - Site visits - Lectures and press conferences - Project cooperation - Quarterly reports	P20, P29, P31, P40-P41
- Community	- Student groups - Impoverished areas - Community near mills	- Give back to society - Stimulate local economic, social and environmental development	- Forums - Philanthropic activities and programs - Employment opportunities for local community	P35-P47

Addressing Stakeholder Concerns

In 2008, we addressed our stakeholder concerns through scientific development of our plantations, implementing cleaner production, improving compliance, promoting macro-economic development, improving customer service, promoting the broader industry's development, building a harmonious workplace, cooperating with third party organizations, and supporting community development.

Contributing to Economic Development and Complying with Regulations

2008 was an unusual year for China with the international financial crisis affecting China's economic development, including the pace of economic growth as well as the employment situation. We contributed to China's economy through developing our company, obeying the law, creating jobs, and paying taxes.

Contributing to Economic Development

In the face of this challenging external environment, we continued to grow and provide jobs. In 2008, we provided 20,827 direct jobs for employees and helped our business partners grow to expand employment opportunities.

In the forestry areas, we continue to provide jobs for local residents and support local communities. We give priority to local residents for jobs such as cultivating seedlings, afforestation, tending plantations, and cutting timber. This increases their income and improves their skills. In 2008, the Guangxi forestry business sub-unit recruited 368 villagers as forest rangers and offered 4,729 opportunities for work, which translated into around RMB 110 million in income.

In line with the government's call to increase rural farmers' incomes, our forestry units help by providing farmers with opportunities to plant crops in our forests. All the proceeds from this practice (known as intercropping) go to the villagers. In addition, local villagers are also allowed to breed poultry in

the plantations if they help tender the trees. In this way they can utilize the available resources to increase their income.

Operating in Compliance with the Law

The papermaking industry has been characterized by heavy pollution and high consumption of energy, so we all face the challenges of improving environmental performance, saving energy, reducing consumption and lowering pollution emissions to meet the requirements of the Chinese government. In accordance with the government's eleventh Five Year Plan (2006-2010), energy consumption per unit of GDP should be reduced by 20% and the total discharge of pollutants should be reduced by 10%. We are working to meet the targets set by the government in its Five Year Plan, reducing our operating costs while also maintaining or increasing investment in environmental protection with projects such as technology upgrades.

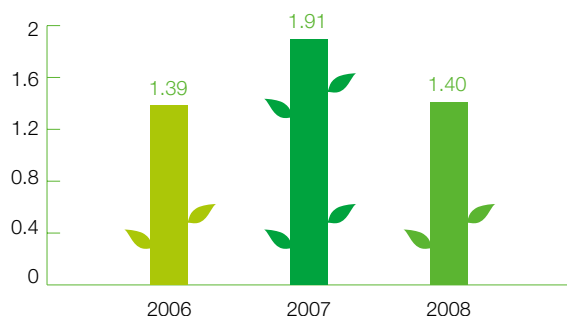
The company operates in accordance with all relevant laws and regulations. In 2008, APP China did not breach any environmental regulations, nor did it receive any administrative fines.


Localizing Operations

We continue to localize our operations, including increasing local procurement. In 2008, local procurement made up 82% of total procurement which helps support local industries and companies that have been struggling with the impact of the global financial crisis.

Gold East Paper continues to give priority to domestic suppliers. In 2008, it has worked with 112 new suppliers, of which 98 were domestic. 45 of these were from Jiangsu Province, 15 were from Zhejiang, and another 31 were from the neighboring provinces. There was no major increase in production in 2008, but due to its strategy of localization, since 2007 it has increased local procurement by RMB 900 million (excluding pulp), up by 42%. Despite the tough external operating environment, Gold East Paper was committed to further improving the performance of our suppliers.

Total Taxes Paid (unit: RMB billion)





Jinhai Pulp & Paper use precision technique to ensure product quality and safety

Improving Service Quality and Innovating to Build Customer Relationships

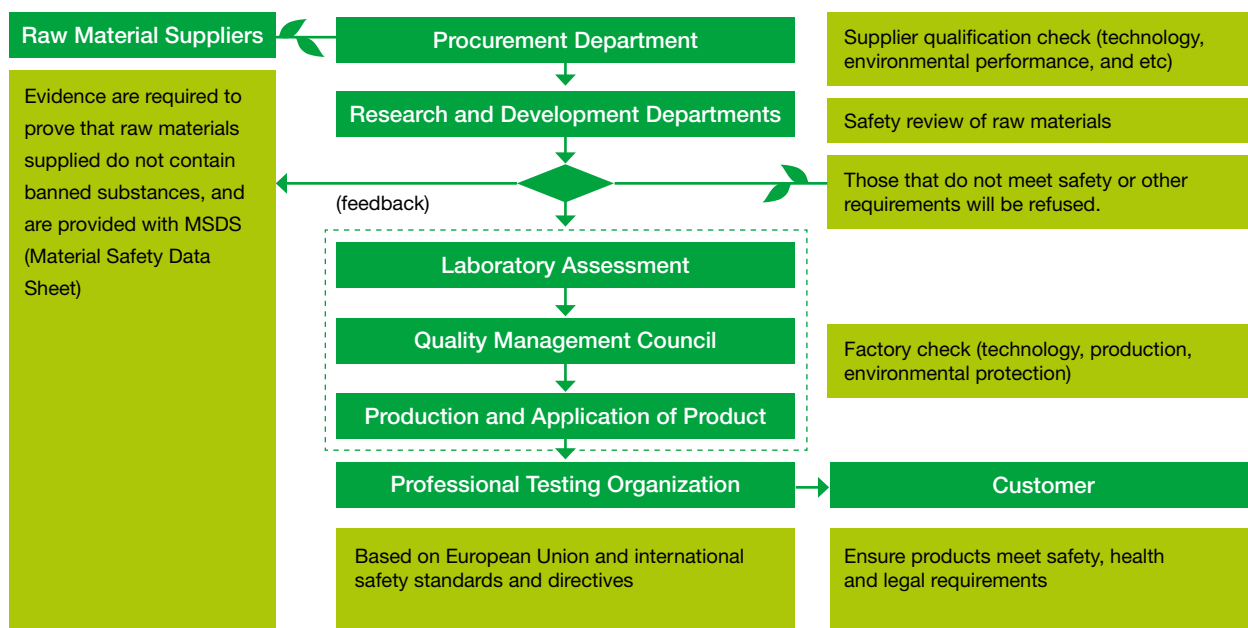
Since paper is the necessity of life, APP China and its subsidiaries bear an important responsibility for ensuring the quality and safety of paper products.

Ensuring Product Safety

To ensure our products are safe and not harmful to our customers' health, our forestry business units and pulp and paper mills have established specific management systems and processes. We pay attention to product safety from the earliest stage of sourcing raw materials to the finished paper products, with frequent inspections to ensure that our product safety management measures are being implemented effectively.

We use high-quality wood fiber to make the pulp for our paper products. We only use fiber that is 100% ECF (elemental chlorine free) and TCF (totally chlorine free), which mainly comes from Southeast Asia, Brazil and North America. When we purchase raw materials, suppliers need to provide the relevant certification that they meet national 3C regulations. For chemicals which we purchase, we also ensure that they meet national regulations. To consider the perspectives of clients, we invited SGS, a professional organization, to conduct safety test for the finished paper product according to international and domestic product safety standards while implementing safety management measures in the process of raw materials purchasing and production. Proofs will be provided to clients as required. It is tested that all the raw materials and products of APP China are in compliance with the safety standards.

Gold East Product Safety Management System



Strengthening Employee Relations and Creating a Satisfied Workforce

Employees are the most important asset of a company. We not only provide our staff with competitive salaries and benefits, but also support their career development and create a platform for staff to continually learn and develop. Our aim is to ensure that our employees are satisfied and can continually grow along with our business. In 2008, we further improved the effectiveness of the labor union and through MBOS, provided staff with a comprehensive incentive system and a supportive working environment.

Improving Our Organizational Management System

Improving our employee organizational management system is a core element of our strategy to protect employee rights and interests. We are dedicated to our employees and have created effective mechanisms to communicate with them. For example, we have established labor unions and other organizations that can act as a bridge between the company's management and employees, providing an effective forum for employees to make requests and provide suggestions.

At Gold Huasheng, the labor union was established at the end of 2007 to safeguard the legitimate and reasonable rights and interests of the employees. The union also supports the company's efforts to increase operational efficiency. In 2009, the company will further improve its labor union system and tackle the challenges of helping retired workers and developing employee skills. It will also help promote ethics in the company and administer employee benefits.

Creating an Equitable Work Environment

As a modern foreign-invested company, APP China has committed to localization, and by the end of 2008, local employees made up 97.68% of our workforce. We strive for equal pay, gender equality, and the creation of a harmonious work environment. To tackle communication challenges, we have established various communication channels. At Gold Hongye, the company has established a system with the following components:

- Two-way communication. Across the company's three levels of division, department and company, employees are able to raise issues to a designated officer to respond and implement a solution.
- MBOS. Employees can use this platform to give ideas related to the company's production, management, activities and other aspects and receive awards or incentives accordingly.
- Democratic management system. The company has established labor unions which can represent employee interests to the company and make suitable suggestions.

- Daily operational mechanism. A people-oriented approach is adopted in daily operations. Management at all levels always maintains communication with staff to learn about their views and expectations for continuous improvement.

Employee Satisfaction Survey

We regularly conduct employee satisfaction surveys to understand our employees' attitudes toward our company culture, management, work environment, and other aspects. In 2008, comprehensive employee satisfaction surveys were coordinated by the human resources departments of APP China's head office, every pulp and paper mill, the forestry business unit head office, as well as each local forestry business sub-units.

To encourage each employee to answer truthfully, the company kept all answers confidential, and to encourage participation, the surveys could be completed in a number of different ways: email, online survey, or a paper questionnaire.

The results showed that despite the financial crisis, the measures the company has taken to build employee loyalty and satisfaction have been successful. In the future, APP China will continue to operate as a "people-oriented" company to ensure a satisfied workforce.



Implementing the Law of Labor Contract to Protect Employees' Rights

On January 1, 2008, the new Law of Labor Contract came into effect. To protect our employees' interests and avoid legal risks, we organized various activities to help employees understand the new regulations. Our Forestry Business Unit Head Office launched a Handbook of Labor Regulations covering the relevant information from the 1994 labor law, as well as background context and the latest information regarding the 2008 law. Meanwhile, we revised employees' contracts according to the new Law of Labor Contract, including amendments for our field operations staff that covered staff health.

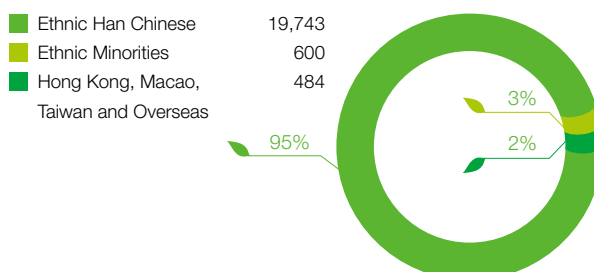
At Gold Huasheng, to ensure full compliance with the labor law, the company established a management model based on self-regulation, self-discipline, self-motivation and self-development, which would effectively protect the rights of both our employees and the company.

Providing Career Development Opportunities

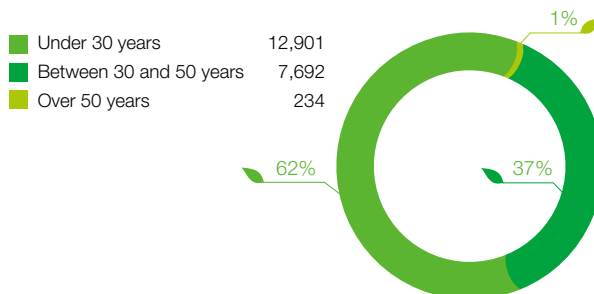
We believe it is important to establish an effective career development system for staff. In 2008, we focused our efforts on becoming a learning-centered, knowledge-based and innovative company that builds up the skills of our employees. We place staff development as a key priority in order to increase staff quality; this year we invested more than RMB 8.56 million in training.

Hainan Jinhai Pulp & Paper established a specific training department and developed a training management system for employees, and it includes training for new employees and on-the-job training. In 2008 there were 17 trainings for various levels of managers and were attended by 531 people, 15 off-site trainings attended by 240 people, and 20 customized trainings attended by 520 people. Hainan Jinhai Pulp & Paper also arranged various opportunities for employees to continue studying and learning through partnerships with training institutes and universities. The training management system that was established is used to identify employee training needs according to the employee's position and also provides opportunities for employees to apply for subsidies for training courses. In 2008, 100 employees participated in such training opportunities with 86 receiving subsidies.

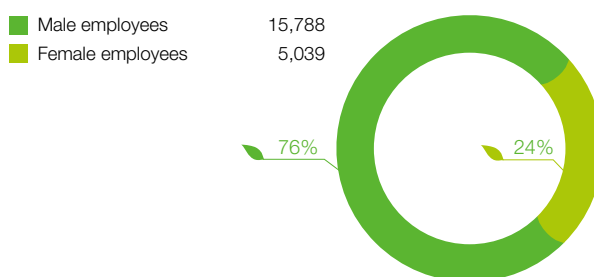
Proportion of APP China's staff who are ethnic minorities in 2008



Proportion of APP China's staff by age in 2008



Proportion of APP China's staff by gender in 2008



Employee Training in 2008

	Total amount spent on training (RMB)	Average amount spent on training per person (RMB)	Number of employees who participated in further study	Average training per person (hours)
APP China Head Office	218,800	487	5	16.13
Gold East	5,800,000	1,088	132	31.32
Gold Huasheng	325,261	109	61	17.53
Gold Hongye	596,505	276	0	76.33
Ningbo Zhonghua	460,000	287	143	40.70
Ningbo Asia	306,375	191	75	32.80
Hainan Jinhai	522,464	200	13	71.68
Forestry business units	330,267	189	16	18.57

Caring for Employees as Part of Our People-Oriented Philosophy

We have taken the initiative to provide employees with a set of welfare benefits that meet their needs and help to increase staff loyalty.

The labor union plays an important role in solving problems for employees. At Gold Huasheng, the labor union has developed a support system for employees in need. The union uses part of the labor union membership fee every year as a fund for which employees can apply if they need support on an ongoing or one-time basis. In 2008, this fund provided support for 10 times.

In the forestry business units, we established a job rotation system for front-line staff. The system allows employees to learn new skills, gives them access to promotion opportunities, and creates the possibility for employees to increase their incomes. We also continued to pay all social insurance for our employees in accordance with Chinese labor laws.

We recognize that APP China's growth and development attribute to our staffs' hard work as well as the ongoing support from their families.

In recent years, Ningbo Zhonghua and Ningbo Asia have organized a series of activities for non-local staff. In 2007, these two companies launched a program for their families to visit them while all the travel expenses and accommodations were paid by the companies. In 2008 more non-local staff were invited to join the program.

In May 2008, 51 family members of 27 employees from other provinces came to Ningbo. When we heard that the families of three of the employees came from areas affected by the earthquake, we gave each of them a RMB 1,000 to show our sympathy and concerns.

In September, despite the impact of the global financial

crisis, the company arranged for 55 family members of 29 employees to come and participate in a 3-day event, once again demonstrating our concerns for our staff. Through such activities, altogether 442 employees and their family members were benefited.



Establishing Mutually Beneficial Strategic Partnerships

Our business partners play crucial roles in APP China's sustainable development process.

We regard our suppliers as the most important partners to work together for mutual benefits and sustainable development.

We work with domestic and international research institutions to ensure the state-of-the-art technologies are utilized throughout our operations.

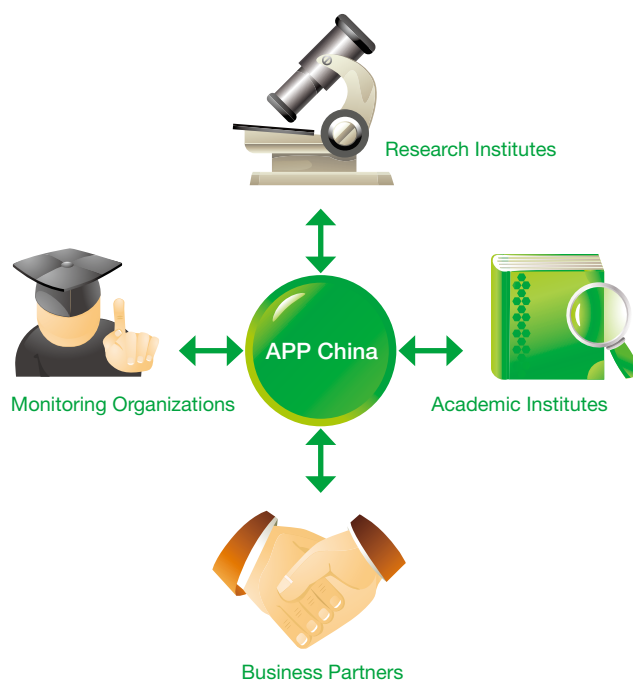
With non-governmental organizations (NGOs), we are committed to being open and transparent. In many cases, we seek to cooperate with them to contribute to community development. We also benefit from their monitoring and analysis of our business practices and incorporate their constructive suggestions into our management practices.

Guided by goals of cooperation and mutual benefits, we worked with our partners in 2008 to drive industry growth and development.

Strengthening Our Partnerships

We work with our suppliers to establish communication channels that ensure the timely transfer of information. At Ningbo Zhonghua we communicated with our suppliers through letters, surveys and meetings in order to better understand our suppliers and explain our requirements to them. We then invited them to visit our company to build their confidence. We also worked to improve communications through media and various public relations activities.

Our growth also helps our suppliers to grow, providing them with opportunities to develop new technologies and enhance their research abilities. Even as we provide knowledge and technical assistance, we continuously require improved product performance from our suppliers. This helps suppliers to develop more value-added products which ultimately bring competitive advantages to both our company and our suppliers.



At Gold East, regular safety reviews with contractors are an important part of health and safety management

We have cooperated with a certain dispersant chemical company for a long time. In 2008, we wanted to change to a higher solid content formulation to improve product performance and competitiveness. The company that had previously provided us with dispersant chemicals could no longer meet our new requirements and we could only import the product, which would be more expensive. In light of this, we continuously provided advice to our supplier, repeatedly testing their product as they worked to meet our new standard. Ultimately the supplier was able to meet our standard, which also increased their competitiveness in the market, particularly because they had our endorsement of their product. "Without our cooperation with APP China, we would not have achieved success," commented Mr. Yang, the company's president.

High Level Collaboration, Demonstrating Transparency

We firmly believe that engaging with society is crucial to our company's development. From managing our plantations sustainably to protecting ecological biodiversity and implementing safer and cleaner production, we operate our business with an attitude of openness and collaboration. Through independent research, monitoring, and evaluation, we aim to discover problems, listen to feedback and address any issues that arise.

In Hainan

- We implemented a species monitoring project in partnership with the South China Agricultural University.
- We partnered with the Research Institute of Tropical Forestry, Chinese Academy of Forestry on a project



Sinar Mas Print Awards

In 2007, the Sinar Mas Print Awards were initiated by Gold East Paper. This annual event allows domestic and foreign professionals from the print and graphic design industry to share experiences and exchange knowledge so as to recognize the outstanding enterprises and designs as well as provide more publishers with opportunities for brand promotion.

In 2008, Gold East expanded the competition to the Greater China region, increased the number of award categories from 5 to 6, and involved more experts in the judging process. The number of entries increased by 45% to 115, with 18 companies receiving gold and silver prizes and a further 48 qualifying as finalists. In 2009, the Awards will be expanded to cover the whole of Asia Pacific, and in 2010, will be expanded worldwide.

entitled, "Monitoring the Environmental Impact of Eucalyptus Plantations."

In Guangxi

- In March 2008, we worked with the Qinzhou Forestry Bureau to organize a volunteer tree-planting activity which resulted in the planting of 17.5 hectares of forest and improved our communication with the local forestry bureaus.
- In August 2008, we conducted a social impact assessment survey focusing on local citizens and suppliers. This allowed us to collect their feedback and implement their recommendations which contributed to the ongoing process of relationship-building.
- In October 2008, we worked with the Guangxi Forestry Bureau and Qinzhou Forestry Bureau to survey forest resources, which strengthened our relationships with the government departments and local community organizations.
- In October 2008, we participated in Nanning's conference on "Sustainable Management of Plantations in China."
- In 2008, we co-produced, along with Qinzhou TV Station, a 12-part program on "Technology and Agricultural Development—How Eucalyptus Trees Can Earn You Money." After the broadcast, many local people called the TV station to share that it had helped them improve their forest management and prompted them to plant eucalyptus trees, which in turn had increased their incomes.
- We entrusted the College of Forestry of Guangxi University to carry out an environmental impact assessment of eucalyptus plantations.

In Yunnan

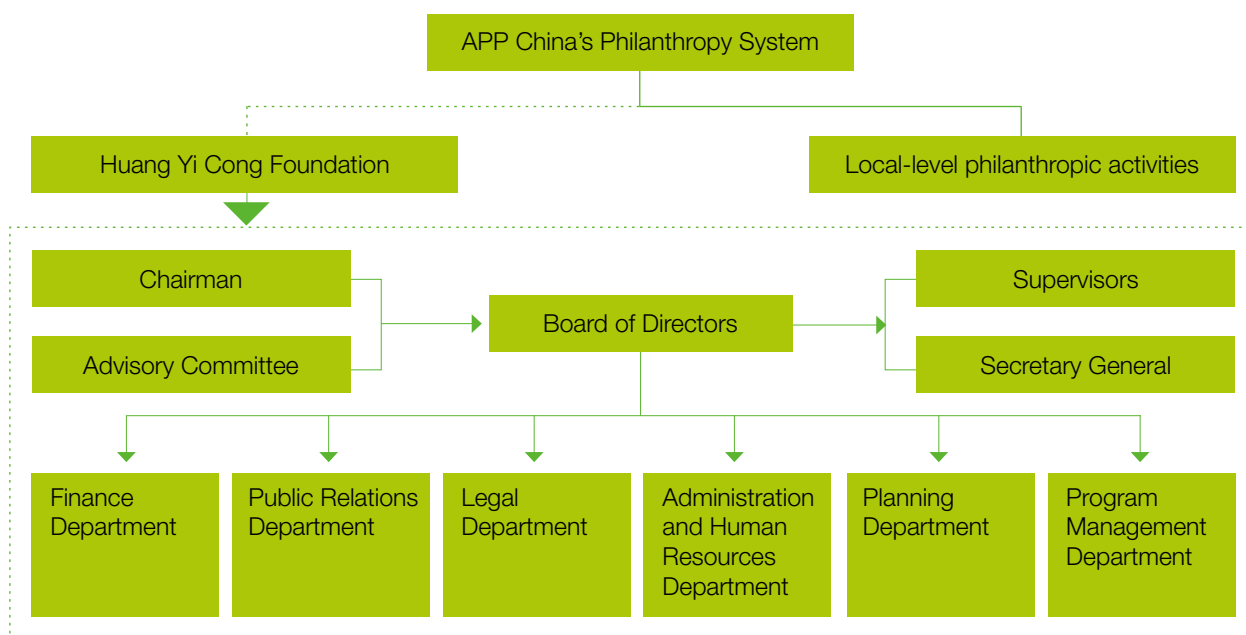
- We entrusted the Research Center of Southwestern Ecology, Chinese Academy of Forestry to carry out an environmental impact assessment of eucalyptus plantations.
- In June 2008, we held talks with Pu'er City and Wenshanzhou governments on the development of our operations in Yunnan, laying the foundations for further discussions and business developments.
- In July 2008, we organized a visit for Wenshanzhou government officials to visit Hainan Jinhai and Guangxi Jingui Pulp & Paper of APP China so they can better understand our operations.

Contributing to Community Development as a Responsible Corporate Citizen

“What is taken from the society should be returned to benefit the society” is a concept that APP China strongly believes in. It underlies many of the long-term strategic projects which we undertake to help share the fruits of economic development. By the end of 2008, APP China and Huang Yi Cong Foundation (Huang Yi Cong is the translated Chinese name of Mr. Eka Tjipta Widjaja, the founder of Sinar Mas Groups) had in total donated more than RMB 500 million to charitable causes. In 2008 alone, we donated RMB 55 million.

APP China's philanthropy system has two main components:

- A foundation, which has been established at the corporate level (Huang Yi Cong Foundation) as a platform to conduct philanthropic projects and activities. It has established an organizational structure specifically designed for this purpose with full-time staff in charge.
- Local-level activities organized by each subsidiary mill or forestry plantation sub-unit, and they vary according to local circumstances.



Note: Huang Yi Cong Foundation is independent, but manages relevant philanthropic programs on behalf of APP China.

Huang Yi Cong Foundation, 2008 Programs

In 2008 the Foundation focused charitable givings on education, new rural development, post-disaster reconstruction and community development. The programs were well-designed and have achieved promising results.

■ In Support of Future Generations

APP China is committed to improving basic education facilities in remote areas to support the development of education in China.

1. We provided scholarships and other support for disadvantaged students at primary schools, high schools and universities.

In 2008, the Foundation launched the Sunflower Scholarship project in Inner Mongolia's Wulate Qianqi to provide grants for grade students. The project ended in April 2008, and over RMB 70,000 was granted to help 100 low-income students.

As for college level, from September 2008 to September 2011, based on the APP scholarship models developed at Beijing Forestry University and Huazhong Agricultural University, the Foundation expanded its awards to an additional 6 universities including Guangxi University, Guangxi Eco-Engineering Vocational and Technical College, Sichuan

Agricultural University, Henan Agricultural University, Central South University of Forestry and Technology, and Southwest Forestry University. Altogether, RMB 1.44 million will be invested in supporting outstanding students.

2. We provided financial support for improving education facilities, standard of living, and quality of education.

Between May and November 2008, APP China donated RMB 300,000 to build a new school building for Tinghong Primary School in Leting Village, one of the poorest mountainous areas in Guangxi. When completed, the 1,311 square meters building will provide education for more than 80% of the local children.

After the May 12 earthquake in Sichuan, APP China donated RMB 20 million, which is used to rebuild Pengzhou Tongji Secondary School (later renamed Pengzhou Jin Guang Tongji Middle School). It included classroom buildings, student dormitories, and equipment severely damaged by the earthquake. According to the rebuilding plan, the new school will be built as a boarding school at a total cost of RMB 36 million and APP's donation will play a large role in the project. Once the school is finished it will be one of the largest secondary schools in the area.

Guangxi Tinghong Primary School under construction





In September 2002, as part of the nationwide Project Hope, Guangxi Hope High School was established in Nanning, Guangxi. In the fall of 2002, when the first class of students enrolled, APP China established a Jin Guang Hope Star Class to provide support for underprivileged students. By June 2008, over RMB 9.25 million had been donated to support 723 students. Majority of the 390 graduated students have gone on to universities for higher education.

"Thank you for letting me become a grantee of the Jin Guang Hope Star Class. Now I can feel at ease in class and happily learn together with the other students. Thank you for giving me this precious opportunity for learning and reducing my family's burden to support me... In the future I hope I can also help support others in need and make their lives better."

—Zhou Xiaomin, Guangxi Hope High School

■ Building a Harmonious Society

On May 1, 2010, Shanghai World Expo will hold its grand opening. As one of the first donors to the China Pavilion, APP China has paid close attention to the development of the Expo and is dedicated to building a harmonious community and a successful Expo. In retrospect, the current Expo compound was once resided in by many Shanghai citizens who were relocated to a new area to restart their lives. The new town is known as Sanlin Expo Homestead. In recognizing the importance of the Expo history, APP China decided to pay attention to these citizens and started by supporting their community programs. The Chinese calligraphy and painting class is one of them and has become one of the community's main activities. Every Tuesday, about 40 to 50 community residents come together to share their skills and show their work with each other. In addition, every Saturday free calligraphy classes are offered to young children to attract their interest to this traditional art. By December 2008, hundreds of visitors including domestic and overseas groups as well as governmental officials had come to pay their tribute to the success of Sanlin Expo Homestead.

For the vast rural areas which suffer from weak infrastructure and poor health conditions, we are working to improve their living conditions through afforestation and infrastructure such as roads and water conservation facilities. Helping to provide clean drinking water was a major priority for us since it played such an important role in improving health conditions.

In addition, the Foundation has also worked with Jiu Qian Volunteer Center to hold a Spring Festival charity concert and donate books in Anhui Province.

■ Disaster Relief and Support

Starting on January 10, 2008, 17 provinces in Southern China were badly affected by snowstorms. By February 14, the storms had caused economic losses of close to RMB 7 billion. When the disaster struck, our Chairman, Mr. Teguh Ganda Wijaya, was in Guangxi and immediately donated RMB five million to Guangxi disaster areas. Our Hong Kong subsidiary also donated RMB 600,000 and then, through the Overseas Chinese Affairs Office, we donated a further RMB 15 million, taking our total donation to over RMB 20 million.

The donations mostly went to support schools, health facilities, and homes affected by the disaster.

On May 12, 2008, at 2:28 PM, Wenchuan County of Sichuan Province was struck by an earthquake measuring 8.0 on the Richter Scale. After the earthquake, APP China and Huang Yi Cong Foundation responded within 24 hours to donate RMB 20 million in cash, and then supported employee fundraising activities in our headquarters and each mill and forestry plantation sub-unit. By June, total employee donations reached RMB 2.8 million.

In order to better understand the situation of the affected areas, APP China met with NGO representatives from Heifer International, Mianzhu Livelihood Cooperatives, Chengdu Wild Grass Culture Center, the Western Rural Development Center, the Chengdu Happy Heart Association and Shanghai Pudong Non Profit Incubator (Chengdu Office) to understand more about the post-disaster reconstruction projects underway

in October. After careful assessment we created a plan for 2009, and decided to work with the Good Will Social Workers Team of the Sichuan University (formerly the Happy Heart Association) on a two-year program to provide psychological support at primary and secondary schools in the area.

■ Employee Volunteering Activities

In November 2008, building on the year's successful volunteer activities, the Foundation helped APP China's Shanghai headquarters establish programs that encourage employees at its headquarters to be volunteers. In response to the fast growth of philanthropic activities, and to improve the quality of the volunteering activities, the Foundation developed the Volunteer Management Process of APP China Shanghai Headquarters during 2008. This helped institutionalize volunteering at headquarters.

In 2008, employee volunteers truly became a new force driving APP China's philanthropic activities.

The Migrant Children's Chorus is a chorus established by Shanghai Jiu Qian Volunteer Center. Teachers use music to help migrant workers' children integrate into Shanghai life. In January 2008, we invited them to join our New Year's party with our colleagues from APP China's Shanghai headquarters, to sing with us and have dinner together. In May, in order to help the children realize their dream of organizing a concert, the Foundation supported their Spring Festival charity concert. In August, the Chorus organized a trip to Anhui to visit the "left behind" children (whose parents have migrated to the cities to work, leaving the children to live with relatives or friends). Hearing that these children were short of reading materials, the staff in our Shanghai headquarters made a donation of books to support children in Nanyuemiao Primary School in Lukou Town and Huhu No.2 Primary School in Huhu Town. We will continue to support disadvantaged children and the Chorus.



Guizhou Clean Drinking Water Project

The lack of clean drinking water in China's remote areas is a pressing environmental and health problem. After completion of the clean drinking water system in Hainan's Hongmao Town in 2007, we decided to support a similar but larger project in Guizhou.

In March 2008, APP China launched a pilot project in Dafang County of Guizhou Province with the China Environmental Protection Foundation called China Rural Clean Drinking Water Project. In May 2008, the company brought relevant experts to the local area to understand the water quality and environmental situation. By the end of May, work had been started to improve the local water quality, with promising results by September 2008. When completed in 2009, the project will provide 480,000 people with clean drinking water.

If successful in Dafang county, the project will be expanded to additional areas in western China to help bring clean drinking water to more people.



Major Donations Regarding May 12 Earthquake Disaster by APP China in 2008

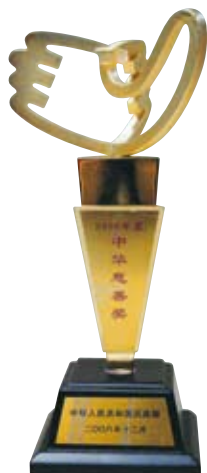
Date	Donation	Explanation
May	RMB 20 million	Donation through Overseas Chinese Affairs Office to rebuild Sichuan's Pengzhou Jin Guang Tongji Secondary School.
May	Goods worth RMB one million*	To address the temporary food shortage in disaster areas.
May-June	More than RMB 2.8 million	Corporate-wide employee voluntary donations.
June	RMB 26,000	Participation in the China Soong Ching Ling Foundation's June 1 disaster relief auction.
September	Approximately RMB 620,000 of materials	Jin Guang Happy Back-to-School Day Donation Program with Soong Ching Ling Foundation.

Note: The donation in "*" came from Asia Food & Properties Co. Ltd., (AFP), which is a subsidiary of Sinar Mas Group, but does not belong to APP China.

Being a Good Corporate Citizen in Local Communities

Each one of APP's businesses is committed to being a good corporate citizen, and makes great efforts to shoulder their commitment to society and to the local communities where they operate.

At Gold East Paper, the employee volunteer association worked with local communities to support community development. Gold East established its Employee Compassion Association in 2006 and began organizing volunteering activities in 2007. In 2008, the company developed an Employee Volunteer Management Policy to encourage employees to participate in volunteer activities. The policy requires that in order for any employee to qualify for a promotion, they must complete 8 hours of volunteer service each year. In 2008, volunteer activities took place in a variety of places including Zhenjiang No.4 People's Hospital, Chinese Medicine Hospital, the welfare home, the railway station, and an elderly nursing home. Altogether there were 2,078 acts of volunteering totaling 15,671 hours.



As early as May 2002, the Ningbo Zhonghua Paper and Ningbo Asia Pulp & Paper established a Youth Migrant Employees Service Team to undertake projects in the company in support of employees and local communities. In early 2008, the team changed its name to New Ningbo Volunteer Team due to increasing local demands. The team provided diverse opportunities for members to participate in local activities such as making donations, mentoring students, and blood drive. The team strives to build a local harmonious society and uses the slogan, "We are all volunteers; this is what we should do."

In 2008, Gold East Paper also granted a donation of RMB 16 million to Zhenjiang Charity Federation over a 20-year period to support local charitable causes.

In Hainan, the primary focus of Jinhai Pulp & Paper was on education and community development, as well as environmental protection. In 2008, the Hainan Jin Guang Education and Environmental Protection Foundation of Jinhai (Jinhai Foundation) gave RMB 800,000 to four partners (the Hainan Provincial Propaganda Department, the Office for Promotion of Civilized Culture, the Education Bureau, and the Finance Bureau) to implement the Jin Guang Western Development Project for Education. This project supported 40 students from rural areas each year with RMB 20,000 each. RMB one million was donated to Hainan University to implement the Hainan University Jin Guang Students Grant Program to help 600 underprivileged but academically well-performing students to complete their studies. In addition, to care for local communities, Jinhai supports cultural activities for Hainan's rural residents, Jinhai Foundation sponsored RMB three million to establish the province-wide "Jin



Guang Shines Upon Qiongzhou" free movies which provide entertainment in rural Hainan villages through 8,000 outdoor movie showings. The films were also accompanied by environmental protection education theme.

In 2008, other forestry business sub-units and pulp and paper mills also arranged activities in their local communities according to local needs. These activities included donations after the Sichuan earthquake, building roads and bridges, arranging for employees to visit elderly people who live alone, and other charitable activities. These helped establish good relationships between APP China and local communities, and demonstrated our practice to be a responsible corporate citizen.

APP China's charitable work has been widely recognized by society. On December 5, 2008, at the Second China Charity Conference held by the Ministry of Civil Affairs of the People's Republic of China, we were recognized with "the China Charity Award for Most Charitable Overseas-funded Enterprise." This award came from the highest level of the government and affirmed our contribution to charity in China. This was not only a special honor for us after many years of service giving back to society, but also a support to the progress we have made, and an encouragement for us to achieve even more in the future.

In 2009, Huang Yi Cong Foundation will continue to expand its platform, increase its charitable programs, and support activities related to the 2010 Expo, which will together help build a harmonious society and spread the benefits of economic development.

Facts and Figures

The figures in the following table are consolidated from the following six subsidiaries of APP China: Gold East Paper (Jiangsu) Co., Ltd., Ningbo Zhonghua Paper Industry Co., Ltd., Ningbo Asia Pulp & Paper Co., Ltd., Gold Huasheng Paper (Suzhou Industrial Park) Co., Ltd., Gold Hongye Paper (Suzhou Industrial Park) Co., Ltd., and Hainan Jinhai Pulp & Paper Co., Ltd..

	2006	2007	2008
Environmental Performance			
Total investments in environmental performance (RMB million)	398	483	890
Solid waste (tons)	1,462,431	1,585,284	1,659,401
Solid waste treatment rate	100%	100%	100%
Energy consumption per ton of pulp (GJ)	27.81	29.38	28.82
Energy consumption per ton of paper (GJ)	10.83	9.96	9.79
Water consumption per ton of pulp (tons)	28.74	28.00	28.56
Water consumption per ton of paper (tons)	11.26	10.00	9.66
Wastewater discharged per ton of pulp (ton)	16.45	16.40	16.50
Wastewater discharged per ton of paper (ton)	9.81	8.93	8.74
COD emissions per unit of product (kg per ton of paper)	0.70	0.61	0.59
COD emissions per unit of product (kg per ton of pulp)	2.56	2.16	1.93
Social Performance			
Donations to charity* (RMB million)	4.57	41.12	55.58
Total number of employees* (people)	19,841	22,197	20,827
Number of local employees* (people)	19,072	21,671	20,343
Percentage of female employees* (%)	23.56	21.57	24.19
Percentage of employees from ethnic minorities* (%)	3.58	3.87	2.95
Staff turnover (%)	14.92	16.32	14.53
Average training time per employee (hours)	33.12	42.65	46.54
Average training costs per employee (RMB)	463.48	470.96	429.86
Economic Performance			
Total profit (RMB billion)	1.58	3.65	2.10
Total taxes Paid (RMB billion)	1.39	1.91	1.40
Production capacity (million tons)	5.09	5.57	5.73
Sales revenue (RMB billion)	21.56	26.96	27.05
Total assets (RMB billion)	57.48	63.11	70.09

Note: 1. Data marked * include APP China Headquarters and Forestry Business Units; 2. In 2006 and 2007, the data was calculated differently and thus there may be some variability.

2009 Sustainable Development Priorities

Sustainable Development Strategy and Implementation	Improve sustainable development management system
	Establish sustainable development indicator system
	Promote sustainable development strategy implementation
	Integrate sustainable development strategy and business strategy
Scientific Development of Plantation	Continue to improve forest management and increase forest yield
	Continue to strengthen the scientific research on forestry, and explore a three-dimensional forestry model
	Continue to monitor and evaluate our environmental impact
	Strengthen our forest operations' risk management
	Promote the benefits of an ecological economy
	Continue to implement changes to our practices according to ISO14001 and other environmental management systems
Sustainable Pulp and Paper Production	Further promote cleaner production
	Increase environmental protection investments and introduce advanced environmental protection technology
	Increase safe production management efforts
	Increase the depth and breadth of MBOS implementation
Stakeholder Engagement	Improve stakeholder engagement management system
	Strengthen relationships with our stakeholders
	Improve philanthropic management system
	Strengthen the management of employee welfare benefits
	Improve service quality and ensure product safety



DNV Assurance Statement

Introduction

Det Norske Veritas (DNV) has been commissioned by the management of Sinar Mas Paper (China) Investment Company Limited (APP China) to carry out an assurance engagement on their 2008 Sustainability Report (here after the Report) against the AA1000 Assurance Standard (2008) (AA1000AS 2008).

APP China is responsible for the collection, analysis, aggregation and presentation of information within the Report. Our responsibility in performing this work is to the management of APP China only and in accordance with terms of reference agreed with the Company. The stakeholders of APP China are the intended users of this statement. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

Scope of Assurance and Limitations

The scope of work agreed upon with APP China includes the following:

- The social, environmental and economic indicators presented in the Report, covering January to December 2008, from APP China's head office and production sites in China;
- On-site verification at APP China's Head Office and APP China Forestry Business Unit Head Office, as well as six pulp and paper mills and five plantation sub-units;
- Interviews with external stakeholders;
- Evaluation of Accountability Principles and specified performance information (Type 2) with a high level of assurance, according to AA1000AS 2008;
- Verification was conducted by DNV from September to November 2009;
- DNV has not observed significant factors to limit our assurance activities.

Verification Methodology

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. Our assurance engagement was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting.

The Report has been evaluated against the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness, as well as Reliability of specified sustainability performance information, as set out in the AA1000AS 2008;
- Adherence to additional principles of Completeness and Neutrality, as set out in DNV's Protocol.

As part of the verification, DNV has challenged the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. For example, we have:

- Examined and reviewed documents, data and other information made available to DNV by APP China;
- Visited APP China Head Office and Forestry Business Unit Head Office, six mills: Gold East Paper (Jiangsu) Co., Ltd., Ningbo Zhonghua Paper Co., Ltd, Ningbo Asia Pulp & Paper Co., Ltd, Gold Huasheng Paper (Suzhou Industrial Park) Co., Ltd, Gold Hongye Paper (Suzhou Industrial Park) Co., Ltd, Hainan Jinhai Pulp and Paper Co. Ltd., and five plantation sub-units located in Hainan Province, Henan Province, Guangdong Province, Yunnan Province, and Guangxi Zhuang Autonomous Region;
- Conducted interviews with approximately 150 APP China representatives, including senior managers and employees of various functions, as well as external stakeholders such as local government environment and plantation departments, plantation research institutions, and plantation contractors;
- Performed sample-based reviews of the mechanisms for implementing APP China's own sustainability-related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative and qualitative data included in the Report.

Conclusions

In our opinion, the Report provides an accurate and fair representation of the level of implementation of APP China's sustainability policies. We have evaluated the Report's adherence to the following principles on a scale of "Good", "Acceptable" and "Needs Improvement":

AA1000 AS 2008 principles:

Inclusivity: Acceptable. APP China has established a systematic process for identifying and engaging with stakeholders to improve APP China's sustainability performance, and several improvement outcomes were observed during verification process. For example, during 2008 several stakeholder forums were established, aiming to identify both external and internal needs and to improve sector performance of plantations and mills, as well as customer and employee satisfaction.

Materiality: Acceptable. APP China has demonstrated internal processes that are effective in bringing out sustainability issues of significance to APP China and its stakeholders. The results have been used to structure the Report content and select relevant performance data.

Responsiveness: Acceptable. During 2008, APP China has responded to stakeholder expectations of improved transparency, particularly on environmental protection issues, in an effective manner. For example, sustainability information on the corporate website is updated quarterly, and an internal platform has been established for collecting employees' concerns and for management to respond.

Additional principles:

Completeness: Acceptable. Within the reporting scope and boundary defined by APP China, we accept that the Report does not omit relevant information that could influence stakeholders' decisions or that reflect significant sustainability impacts during 2008. The Report covers performance against the GRI G3 core indicators that are material within the Company's reporting boundary.

Neutrality: Acceptable. We consider the overall tone of the Report to be neutral and the presentation of information to be mostly balanced. The emphasis on various topics in the Report is basically proportionate to their relative materiality.

Reliability

Finally, in accordance with Type 2, high level assurance requirements, we conclude that the specified performance data and information presented in the Report is reliable. The underlying database has been demonstrated to DNV. Data measurement techniques and basis for calculations have been adequately described to DNV and can be replicated with similar results. No systematic errors were detected.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported back to the management of APP China. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the

management objectives already in place.

- Disclose the relevant data and information more comprehensively according to the indicators of the Global Reporting Initiative sustainability reporting guidelines (GRI G3).
- Continue to improve the communication with relevant stakeholders, especially with non-governmental organisations (NGOs), to understand their concerns and respond effectively, transparently and on time.
- Keep maintaining the guidance to subsidiaries on their sustainability data and statistics.
- Disclose more information in terms of root cause analysis and improvement activities following safety accidents.

DNV's Independence

DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward stakeholders interviewed during the verification process. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Verification Statement.

For Det Norske Veritas



Lead Verifier: CAI, Kunquan



Approver: WANG, Xuezhu, CR Services Manager, DNV China: Beijing, China, Nov. 2009



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Glossary

Chain of Custody (CoC)

The step-by-step monitoring process through which products are traced from origin to end-product. In the case of paper, the chain of custody stretches from the forest/pulpwood plantation to the finished paper product.

Environmental Management System (EMS)

The part of an overall management system that includes structure, planning activities, responsibilities, practices, procurement, processes, and resources for developing, implementing, achieving, reviewing and maintaining an environmental policy. An example of an EMS certification system is ISO 14001.

Pulp

Pulp is a dry fibrous material prepared by chemically or mechanically separating fibers from wood, fiber crops or waste paper.

Mechanical pulp

Paper pulp that is produced by mechanically separating fibers from wood, fiber crops or waste paper.

Chemical pulp

Paper pulp that is produced by chemically separating fibers from wood, fiber crops or waste paper.

White Water

Wastewater which is created in large volumes during the papermaking process contains small short fibers which give it a white appearance.

Reclaimed Water

Wastewater which after being treated to a certain standard, can be reused for other purposes.

ISO 14001

An international Environmental Management System standard that specifies rigorous requirements that must be met before a facility can be certified as compliant.

Green Manure Intercropping

Cultivation of beneficial plants within a plantation system in order to improve soil fertility is often used as a substitute for chemical fertilizers. The benefits of green manure intercropping include weed suppression and improved tree growth.

Climate Change

Change in climate which is attributed directly or indirectly to human activities that alter the composition of the global atmosphere and which is in addition to natural climate variability.

Greenhouse Gases

Gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and re-emit infrared radiation.

Carbon Footprint

A measure of the total amount of carbon dioxide (CO₂) and other greenhouse gases emitted by a human activity or accumulated over the full life cycle of a product or service.

Skill Development Activities (SDA)

Activities which rely on using breakthrough thinking and multi-functional teamwork to identify the most effective solutions for key medium- and long-term issues facing our business.

T Pulp

A type of slurry, created as a byproduct at pulp mills; the slurry's composition is not fixed.

Feedback

Dear Reader,

Thank you for taking time out of your busy schedule to read our 2008 Sustainability Report. There are inevitably some flaws and omissions in this report and we very much welcome your comments and suggestions. You can provide your feedback by email to csr@app.com.cn or send by mail to the address on the back of this report.

Thank you!

APP China 2008 Sustainable Development Report working team
November 2009

Name	Organization	Contact Details		
Report Feedback*	Readability	Objectivity	Completeness	
Sustainable Development Strategy and Implementation				
Scientific Development of Plantations				
Sustainable Pulp and Paper Manufacturing				
Communicating and Responding to Stakeholders				
Overall Feedback				

*Please rate from 1-5, with 1 being the lowest and 5 being the highest.





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