



To: Pollution Control Office,
Ministry of Environmental Protection

**A Joint Letter by Environmental Non-Government Organizations to
the Ministry of Environmental Protection:
Call for a Thorough Review and Deferral of Environmental Review
for Public Listing of Gold East Paper**

To whom it may concern:

Recently, it has come to our attention through the announcement on your website, titled “Notice Regarding the Public Listing Environmental Inspection of Gold East Paper (Jiangsu) Co., Ltd.,” that the National Ministry of Environmental Protection is in the process of conducting an environmental audit for matters concerning the public listing of Gold East Paper (Jiangsu) Co., Ltd., a subsidiary enterprise of Sinar Mas Group-APP, and that the Ministry would seek public advice and opinion on this matter from the period of August 4th to the 14th, 2008.

The MEP has continually brought forth relevant policies and regulations to strengthen supervision and inspection of environmental practices by listed enterprises, and for this we would like to express our deep appreciation. In response to the MEP’s call for public participation, and in order to push forward implementation of the MEP’s policies such as “Green Securities,” we would now like to present the following issues and recommendations regarding the environmental audit for the public listing of Gold East Paper.

According to our preliminary investigations, over the past 36 months, Gold East Paper and a portion of its subsidiaries have a record of many instances of violations of environmental laws and regulations, and have already violated the “Notice Regarding Environmental Protection Inspection of Enterprises Applying for Public Listing and Listed Enterprises Applying for Refinancing” (MEP Circular [2003] No. 101) terms 2.1.1 and 2.1.3 regarding pollution discharge by enterprises applying for public listing, as well as the provisions in term 2.1.8 regarding legality of raw materials.

These issues include:

1. Environmental Pollution

According to the MEP’s public announcement, among a total of 7 enterprises engaged in manufacturing in heavily polluting industry, including the company in question, Gold East Paper, the subsidiary of Sinar Mas Group-APP, as well as its branch companies, held subsidiaries, and refinancing fundraising and investment projects, 8 cases of pollution accidents have occurred since August 2005 (see Appendix 1). These enterprises include Gold Huasheng Paper, which was labeled a “yellow” enterprise by the Suzhou Municipal Department of Environmental Protection on June 10, 2008, for exceeding its pollution discharge quota, as well as Hainan Jinhai Pulp & Paper, which received complaints for air and sea pollution caused by leakage of black liquor.

It must also be noted that of the numerous enterprises involved in paper production under the same parent company as that of Gold East Paper, there are still three businesses that continue to experience massive and severe quota-exceeding discharge accidents (see Appendix 2). This clearly does not comply with APP’s continual boast of “Cycle Development, Clean Production, Carrying out Corporate Responsibility to Environmental Protection.”¹

2. Destruction of Natural Forestry

In the process of producing industrial lumber forests, a number of this enterprise’s subsidiary companies are suspected of destroying natural forests and protected nature reserves in places such as Yunnan and Hainan (see Appendix). For example, throughout the development of its set of roughly 2.3 million hectares of pulp forest land, the Hainan Jinhai Pulp & Paper Company has repeatedly caused destruction of natural forests and protected nature reserves, among other incidents. The August 2008 report by the Haikou Commissioner’s Office of the State Forestry Administration confirmed that this company “did in fact destroy natural forests or conduct logging

¹ “Sinar Mas Group-APP: Taking on a Corporation’s Social Responsibility,” *Banyuetan*, 2008 Issue 6.

without a permit in individual foresting projects.”² In addition, despite APP’s promise to the State Forestry Administration in 2005 to “conscientiously adhere to relevant state laws and regulations, operate legally and by the book,” Greenpeace found again in 2007 that Jinhai Pulp & Paper had cut down natural forests to plant eucalyptus trees in a core region of Yinggeling, Hainan’s provincial level nature reserve.

Furthermore, Gold East Paper’s parent company, APP, has long been confirmed suspect in the destruction of natural forests, as well as violation of local laws in many countries and regions including Indonesia, where it has met with the resolute opposition of numerous environmental organizations and local residents.³ This sufficiently proves that this business lacks sincerity towards environmental protection, and still requires a massive improvement in its contradictory operating practices.

Based on the above facts, we hold that Gold East Paper and a portion of its subsidiaries bear a record of numerous violations of environmental laws and regulations over the past 36 months. Moreover, this enterprise shows severe problems in areas of environmental protection, especially protection of forestry, and to this day these problems have still not been satisfactorily resolved, nor do they meet the full requirements laid out in “Notice Regarding Environmental Protection Inspection of Enterprises Applying for Public Listing and Listed Enterprises Applying for Refinancing” (MEP Circular [2003] No. 101), “Notice Regarding Further Standardizing Environmental Protection Inspection of Manufacturers in Heavy Polluting Industries Applying for Public Listing or Refinancing” (Environmental Method [2007] No. 105), or “Notice Regarding IPO Application and Declaration Documents for Manufacturers in Heavy Polluting Industries” (China Securities Regulatory Commission Circular [2008] No. 6).

At the same time, it has come to our attention that this company has submitted to the MEP an environmental inspection technical report, its prospectus, and other required documents. However at the present, the public is unable to obtain this specific information required by Gold East Paper’s public listing environmental inspection. Likewise, the public is unable to confirm the objectivity and authenticity of the information, and is unable to provide specific recommendations in order to facilitate the environmental inspection work. Therefore, we have also written to Gold East Paper requesting that, in accordance with the stipulations in “Measures on Open Environmental

² State Forestry Administration Haikou Commissioner’s Office Commissioner Wang Hongjie, quoted in “State Forestry Administration: APP did destroy forests in Hainan,” *The Beijing News*, August 4, 2005.

³ Eyes on the Forest to Asia Pulp&Paper: Cease all destruction of one of the world’s largest tropical peatland forests, March 2008.

Information,” the detailed information involved in the environmental inspection is made public before the deadline of August 14th.

Therefore, we recommend that the Ministry of Environmental Protection proceed with caution and consider deferring approval of the environmental inspection for Gold East Paper, and to ensure that this company diligently complies with national environmental protection laws, regulations and policies, so as to eliminate investment risks caused by environmental pollution, and to steer society’s investment to the right direction.

Your response to this matter is highly appreciated..

Sincerely,

Co-signing organizations:

Friends of Nature
Global Village
Green Earth
Green Watershed
Civil Society Watch
Greenpeace

CC: Policy and Regulation Office of the Ministry of Environmental Protection.

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Appendix 1: Pollution and Other Illegal Incidents of Gold East Paper and its Held Subsidiaries

Company Name	Date	Incident	Outcome
Pollution and Other Illegal Incidents of Gold East Paper and its Held Subsidiaries			
Hainan Jinhai Pulp & Paper	July 4, 2008	Local residents repeatedly complain of odour gases and wastewater discharge by the Hainan Jinhai Pulp & Paper Co. in Yangpu. On site inspection found that the company's drainage ditch and rainwater pipes were connected, and a small quantity of black liquor had runoff into the drainage ditch. ⁴	The inspection team pointed out that emergency treatment facilities were inadequate, and were there to be a leakage of the raw liquid, it would flow directly through rainwater pipes into the sea, causing sea pollution.
Hainan Jinhai Pulp & Paper	March 17 and 23, 2006	Instances and duration of discharge of odour gases by Jinhai Pulp & Paper plant shows exacerbating trend and impact to society. ⁵	Environmental sanction: On March 17 and 23, 2006, local EPA carried out two special inspections of the company's plant and imposed a fine of 50,000 yuan.
Hainan Jinhai Pulp & Paper	2005	Equipment malfunctions caused pollution accidents and exceeded wastewater discharge limit ⁶	
Gold Huasheng Paper	2007	On June 10, 2008, for transparency of public information, the Suzhou Municipal Department of Environmental Protection announced the rating results regarding enterprises' environmental practices in 2007, in which Gold Huasheng Paper was rated a "yellow" enterprise: it met national or local standards for pollutant discharge, but exceeded its total limit or exhibited other illegal environmental practices. ⁷	Rated a "yellow" enterprise by the Suzhou Municipal Department of Environmental Protection: yellow (average)
Gold Huasheng Paper	October 2007	2005 (waste gas): quantity discharged (kgs.) sulfur dioxide: 1,048,853 smoke: 43,280 ⁸	On the name list of heavy sources of pollution for Jiangsu province
Ningbo Asia Pulp & Paper Co., Ltd.	April 27, 2007	Law violation: The primary, secondary and tertiary settling tanks of this company's wastewater treatment facilities had upturned	Penalty: Require immediate restoration of normal use of wastewater treatment facilities,

⁴ *China Environmental Report*, 4th Ed., 2008-07-04, <http://www.hainan.gov.cn/data/news/2008/07/53666/>

⁵ <http://lvse.sohu.com/20080709/n258049233.shtml>. Sources: Eight Hainan Enterprises Enter Environmental Punishment Blacklist, Hainan Province Department of Land Environment & Resources, 2007-1-17; Yangpu Environmental Protection Report (Issue 2), Yangpu Economic Development Zone, 2006-04-07; <http://www.dloer.gov.cn/ReadNews.asp?NewsID=1634>, Hainan Province Department of Land Environment & Resources, May 2007.

⁶ Index of Administrative Punishment Cases in 2004 and 2005, Hainan Province Department of Land Environment & Resources, December 30, 2005, <http://www.ipe.org.cn/bdbqy/index.jsp>.

⁷ <http://www.ipe.org.cn/bdbqy/gqyinfo.jsp?ID=16425>. Source: 2007 Enterprise Ratings For Openness of Public Information in Environmental Practices, Suzhou Municipal Department of Environmental Protection, 2008-06-10.

⁸ <http://www.jshb.gov.cn/jshb/UploadFile/yx/200710181439222477.xls>

		sludge, abnormal water quality at discharge outlets, and sample tests showed that the wastewater chemical oxygen demand exceedingly over the allowed limit. ⁹	in addition to a fine of 100,000 RMB.
Ningbo Asia Pulp & Paper Co., Ltd.	February 28, 2007	For a long period of time, this company has discharged wastewater containing excessive standard of coal powder, generated from its coal unloading area and mud from coal piles (rainwater and ground rinsing water), into an unhardened sediment pit on the east side of the company. The discharged water then seeped into the riverway of Shatou Village and blackened a roughly 200 meter stretch in the river, causing pollution and public uproar. ¹⁰	Penalty: Require immediate restoration of normal use of wastewater treatment facilities, in addition to a fine of 50,000 RMB.
Ningbo Asia Pulp & Paper Co., Ltd.	November 6, 2006	Law violation: A breakdown of the company's cooling tower of the wastewater treatment facilities' damaged the biochemical system. Activated sludge was upturned in the secondary settling tank, and quality of discharged water found below standard. Warned by law enforcement personnel in the local environmental protection department, the company had made a written commitment to restore normal operation of its facilities by September 11; but subsequent sample tests by the environmental department of Bei Cang District, Ningbo, Jiangsu province on September 13, 2006 showed that discharged water quality still exceeded allowable limits, and the company's practices in running the waste pollutant treatment facilities were considered improper. ¹¹	Penalty: Require immediate restoration of the wastewater treatment facilities, in addition to a fine of 100,000 RMB.
Ningbo Asia Pulp & Paper Co., Ltd.	March 29, 2005	1) Law violation: Did not take effective measures to prevent pollutants from discharging into the sea 2) Law violation: Investigations confirmed that during the trial production period of the company, improper operation of the wastewater treatment facilities caused	1) Penalty: 80,000 yuan fine 2) Penalty: Company ordered to immediately restore the wastewater treatment facilities, and fined 100,000 RMB. Status: Fine paid.

⁹ <http://www.ipe.org.cn/bdbq/gvqyinfo.jsp?ID=13508>. Source: Yonglun Environmental Penalties [2007] No. 055, Beilun Department of Environmental Protection, 2007-04-27.

¹⁰ <http://www.ipe.org.cn/bdbq/gvqyinfo.jsp?ID=13495>. Source: Yonglun Environmental Penalties [2007] No. 029, Beilun Department of Environmental Protection.

¹¹ Yonglun Environmental Penalties [2006] No. 123, Beilun Department of Environmental Protection, <http://www.ipe.org.cn/bdbq/gvqyinfo.jsp?ID=13468>

		excessive storage pulp wastewater in the riverway at the north side of the factory. After the collapse of an earth dam in the river, large volume of wastewater, which exceeded allowable limit, was discharged directly into the nearby sea through rainwater channels, causing severe environmental pollution ¹²	
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¹² 1) Yong Environmental Administrative Penalties (2005) No. 7, Ningbo Municipal Department of Environmental Protection, 2005-03-29; 2) Lun Environmental Penalties [2005] No. 20, Beilun Department of Environmental Protection, 2005-05-17, <http://www.ipe.org.cn/bdbqy/gvqyinfo.jsp?ID=7292>

Appendix 2: Pollution and Other Illegal Incidents of Sinar Mas Group-APP and its Wholly-Owned and Held Subsidiaries

Company Name	Date	Incident	Outcome
Pollution and Other Illegal Incidents of Sinar Mas Group-APP and its Wholly-Owned and Held Subsidiaries			
Zhenjiang Gold River Pulp & Paper Co., Ltd. (APP Asia Pulp & Paper Co. (Sinar Mas Group-APP) Joint Venture Company)	November 2006	2006 3 rd quarter COD discharge density exceeded 500mg/L ¹³	
Zhenjiang Gold River Pulp & Paper Co., Ltd. (APP Asia Pulp & Paper Co. (Sinar Mas Group-APP) Joint Venture Company)	September 2006	1) The provincial branch of EPA selected 34 companies for its first “aviation inspection,” and found that 16 companies including Zhenjiang Gold River Pulp & Paper Co., Ltd. were found that either discharged pollutants exceeded allowable limit or pollution treatment facilities were improperly operated. Percentage of excessive discharge was over 47%. 2) In Zhenjiang Municipality’s 2006 rating of Industrial and “San Cang” Service Industry Enterprise Environmental Practice, the company was rated a “black enterprise”: its pollutant discharge repeatedly failed to comply with standards or primary pollutants severely exceeded allowable limit, causing severe environmental impact or massive pollution incidents. ¹⁴	EPA would enshrine relevant laws and requirements of the provincial government, and inflict severe punishment upon companies discharging excessive emissions, in order to send out a strong warning signal and hit those companies breaching the law.
Ningbo Asia Cardboard Tube & Box Co., Ltd.	July 10, 2007	Law violation: Sludge at a wastewater station was not disposed timely, piled in the open beside a wastewater collection pool; some sludge ran with rainwater into the river on the north side of the company and	Penalty: Require immediate cleanup of open pile of sludge, to be delivered to a qualified vendor for handling, in addition to a fine of 40,000 RMB.

¹³ Report on Monitoring of Total Discharge of Pollutants from Heavy Sources of Pollution in Jiangsu Province (3rd Qtr. 2006), Jiangsu Center for Environmental Monitoring, November 2006, <http://www.ipe.org.cn/bdbqy/index.jsp>

¹⁴ 1) Provincial Department of Environmental Protection First “Flyby Inspection” of Heavy Pollution Sources Finds Enterprise Quota Exceeding Discharge Rate of 47%, Jiangsu Department of Environmental Protection, 2006-10-29, <http://www.jshb.gov.cn/jshb/showinfo/showinfo.aspx?infoid=5d2683ca-c67d-4a62-a83c-03b9a6471f5a>; 2) Notice Regarding Announcement of Results for 2006 Zhenjiang Municipality Industrial and Service Industry Enterprise Environmental Practice Rating, Office of the Zhenjiang Municipal People’s Government, June 5, 2007, <http://www.zhenjiang.cn/gb/zgzj/zjgb/zwgk/zfwj/rmzfbgswj/userobject1ai17924.html>

		blackened roughly 100-meter stretch of the river, polluting the environment. ¹⁵	
Ningbo Asia Cardboard Tube & Box Co., Ltd.	June 21, 2005	Law violation: Through investigation, it was found that this company had, without the permission of the EPA, built a new workshop of approximately 9000m ² inside the factory and moved an existing cardboard tube production line inside it. ¹⁶	Penalty: Company ordered to immediately stop production, and pay a fine of 50,000 RMB. Status: Fine paid.
Guangxi Guofa Forestry Pulp & Paper Co., Ltd.	May 2007 (Reported publicly)	Between June and October, 2004, falsified tax reports, not truthfully declaring earned sales income and instead spending the income tax amount on non-taxable purchases of goods, resulting in 1.47 million yuan in unpaid value-added taxes. ¹⁷	Exposed by Guangxi State Tax Bureau in 2007
Guangxi Guofa Forestry Pulp & Paper Co., Ltd.	July 9, 2008	Guangxi Guofa Forestry Pulp & Paper among “Double Limit Exceeding” companies discharging waste water and waste gas. ¹⁸	Fined by Guangxi Liuzhou’s EPA.

¹⁵Yonglun Environmental Penalties [2007] No. 072, Beilun Department of Environmental Protection, <http://www.ipe.org.cn/bdbqy/gyqyinfo.jsp?ID=13517>

¹⁶Lun Environmental Penalties [2005] No. 38, Beilun Department of Environmental Protection, <http://www.ipe.org.cn/bdbqy/gyqyinfo.jsp?ID=13099>

¹⁷ http://www.gx.xinhua.org/newscenter/2007-05/11/content_9996493.htm

¹⁸ <http://lvse.sohu.com/20080709/n258050211.shtml>

Appendix 3: Issues of Deforestation by Sinar Mas Group-APP and its Wholly-Owned and Held Subsidiaries

Company Name	Date	Issue	Outcome
Issues of Deforestation by Sinar Mas Group-APP and its Wholly-Owned and Held Subsidiaries			
Sinar Mas Group-APP	February 2008	In late January, 2008, office stationary and supplies giant Staples terminated all contracts with global high-ranking Sinar Mas Group-APP; prior to this, Staples purchased approximately 9% of its paper from APP. ¹⁹	<ol style="list-style-type: none"> 1. Staples completely canceled all contracts with Sinar Mas Group-APP. 2. Because Staples had not found any improvement in APP in areas of environmental protection, to continue to purchase from APP would have caused great damage to Staples' brand image.
Sinar Mas Group-APP	February 25, 2008	The World Wide Fund for Nature (WWF) published a press release titled "Destruction of Sumatra forests driving global climate change and species extinction," that blamed APP's sustained destruction of forests in the island of Sumatra for directly affecting climate change and bringing species to the brink of extinction. ²⁰	
Sinar Mas Group-APP	November 26, 2007	The Forest Stewardship Council (FSC) announced at a global press conference that it would disassociate with APP. The forestry certification committee refused to allow APP to continue to take advantage of FSC to engage in "greenwashing," and solemnly stated: "APP has continually taken part in destruction of Indonesia's tropical rainforests, and has never fulfilled its promise to the public to stop this activity. Therefore, we come to the conclusion that any cooperation between FSC and APP or any of its subsidiaries or branch organizations is unacceptable, and may even adversely effect thousands of other	The FSC board of directors decided to discontinue all cooperation with APP and any of its held subsidiaries, unless APP could immediately stop all destruction of natural forests and provide relevant documented proof.

¹⁹ <http://finance.sina.com.cn/j/20080209/20554496052.shtml>

²⁰ http://www.panda.org/about_wwf/what_we_do/species/news/index.cfm?uNewsID=128041; Investigative Report Published by Eyes on the Forest, March 2008

		responsible companies under the FSC system.” ²¹	
Sinar Mas Group-APP	October 2007	In October 2007, the Rainforest Alliance’s well-known verification organization, SmartWood, publicly announced discontinuation of its contract with APP in China: “From a broad forest sustainability perspective, despite progress with the operations in China, the Rainforest Alliance is unwilling to continue to work with APP, since the company’s performance in other regions and forests where it operates or has influence continues to indicate a lack of improvement. Of greatest concern are APP/Sinar Mas Group operations in Indonesia, where stakeholders indicate to us continued and long standing criticism that APP continues to convert high conservation value forests (HCVF). When this is considered along with the company’s recent marketing efforts to portray themselves as an environmentally conscious company that is manufacturing products coming from well managed forests in Indonesia; Rainforest Alliance has determined that we can no longer be perceived as part of that effort to mislead the public and APP/Sinar Mas customers.” ²²	A formal letter of termination was sent to Sinar Mas Group-APP, effective October 26, 2007.
Hainan Jinhai Pulp & Paper	March 2007	APP held subsidiary Jinhai Pulp & Paper disregarded national regulations on protected nature reserves and Hainan’s provincial environmental protection regulations when it planted vast areas of eucalyptus pulp forest in a protected nature reserve. In order to plant eucalyptus trees in the most uninhabited core region of Yinggeling, the company blazed out an approximately 7	At a press conference, the State Forestry Administration reaffirmed the facts of APP’s destruction of nature reserve land in Hainan. ²⁴

²¹ http://www.fsc.org/en/work_in_progress/other_docs

²² <http://www.rainforest-alliance.org/programs/forestry/smartwood/app.html>

²³ Greenpeace press release, March 28, 2007.

²⁴ State Forest Administration’s April 4, 2007 press release: “Regarding the issue of large areas eucalyptus forest planted in Hainan by the Sinar Mas Group, the relevant departments of the State Forest Administration have clear objections, the provincial level nature reserve of Hainan’s Yinggeling is the largest natural tropical rainforest in Southeast Asia, it is one of our country’s most abundant regions of tropical resources, and to conduct large scale forestation in this protected area has severely damaged the reserve’s ecology, environment and biological diversity, so in order to further protect the natural forests and biological resources of this area, the Protection Department of the State Forest Administration released a circular in July 2006, requiring that the Forestry Bureau of

		meter wide road of 20 to 30 kilometers. ²³	
Sinar Mas Group-APP	October 2006 – February 2007	APP's projects in Yunnan continued to violate regulations. First, some of APP's practices in the process of its environmental impact evaluation on its approximately 57,000 hectares of industrial eucalyptus pulp forest did not conform to existing laws and regulations. Second, APP's recent acquisition and expansion of the Simao Yunjing Forestry & Pulp Company would add huge pressure to Yunnan's forest resources. ²⁵	The State Forest Administration demanded that APP stop its merger with the Simao Yunjing Forestry & Pulp Company.
Sinar Mas Group-APP	October 2006	APP is one of the worst companies destroying Sumatra's forests. On August 7, 2006, in an advertisement appearing in two important international newspapers, the company hypocritically portrayed itself as an enterprise striving for the protection of forests and wildlife, committed to "conservation beyond compliance." ²⁶	The WWF's investigation in Riau Province, Sumatra, showed that reality did not match with APP's advertised claims. In fact, APP was continuing large scale destruction of those forests in urgent need of protection.
Sinar Mas Group-APP	January 2005	APP committed acts of deforestation during its creation of pulp forests, with an area of approx. 640 hectares, and without having procured a logging permit, stored a quantity of 24,709 cubic meters. "The Notice" also dealt with issues of APP's planning in Yunnan which infringed upon the legal rights of forestry farmers and caused erosion of state owned property. ²⁷	The State Forestry Administration's investigation report was consistent with that of Greenpeace; APP did indeed engage in deforestation.
Sinar Mas Group-APP	March – May 2005	Based on a field investigation in March 2005, Greenpeace concluded that there were three big problems in APP's Hainan operations: One was its destruction of large areas of natural forests and public road shelter-forests to create pulp forests. Second was its taking advantage of farmland to forestation policy. Third was that the raw materials from existing pulp forests were unable to satisfy the production demands of the Jinhai Pulp & Paper plant. ²⁸	The State Forestry Administration confirmed APP's deforestation acts in Hainan.

Hainan province investigate this matter." <http://www.forestry.gov.cn/xwfbh/xwfbh070404.asp>

²⁵ State Forestry Administration media spokesperson Cao Qingyao speaking at the State Forestry Administration's routine press conference, February 7, 2007.

²⁶ <http://www.wwf.or.id/index.php?fuseaction=newsroom.detail&id=NWS1161151678&language=e>

²⁷ "State Forestry Administration Notice Regarding Problems of Pulp Forest Creation in Yunnan Province by Gold East Paper (China) Investment Co., Ltd.," (Forestry Resources & Development [2005] No. 4), January 7, 2005.

²⁸ <http://env.people.com.cn/GB/1072/3590949.html>

