To: Pollution Control Office,
Ministry of Environmental Protection

Second Joint Letter from Environmental Non-Government Organizations to the Ministry of Environmental Protection: Call On a Stringent Compliance from Gold East Paper and Its Subsidiaries Under the Ministry's Review and Deferral of the Ministry's Environmental Review on Public Listing of Gold East Paper

To Whom It May Concern:

Following the joint letter sent to the Ministry of Environmental Protection on August 12th, 2008, co-signed by Friends of Nature, Global Village, Green Earth, Yunnan Green Watershed, Civil Society Watch, and Greenpeace, which expressed our grave concerns about the environmental review being conducted on Gold East's public listing and our sincere request to the Ministry to defer any final decision on the review owing to the company's poor track record of environmental pollution and deforestation, we have learnt that the MEP has shown the greatest concern and already asked local provincial and municipal environmental protection departments to conduct investigations on the reported incidents. We would like to express our appreciation for the MEP's

encouraging response and efforts.

Our recent investigation discovered that one of the 7 companies included in Gold East's listing application, Hainan Jinhai Pulp & Paper Co., Ltd. (hereafter referred to as "Jinhai Pulp & Paper"), has had chronic problem of wastewater discharge and gas emission that exceeded allowable limits, causing environmental pollution and severe negative impact on the livelihood of local residents.

According to Hainan Province Yangpu Economic Development Zone Planning and Construction Land Bureau's "Report on Yangpu's Environmental Protection," during the period of March 2006 to July 2008, the Hainan Jinhai Pulp & Paper plant showed the following long-term environmental pollution problems (refer to Appendix 1, "Summary of Jinhai Pulp & Paper Plant Pollution Discharge" for more detailed records):

I. Water Pollution:

- Jinhai Pulp & Paper's wastewater discharge volume has experienced high fluctuations for a long period of time.
- The chemical oxygen demand (COD) for Jinhai Pulp & Paper's wastewater discharge has been sustained at a level above allowable limit for a long period of time, and caused a severe wastewater discharge pollution incident on July 25, 2007. Problems of excessively high concentrations of suspended substances (SS) were also found in 2007.
- Despite orders and punishments inflicted by relevant local departments, Jinhai Pulp & Paper has not taken effective compliance measures, and as of July 2008, its COD value still exceeded local discharge standards (100mg/l).
- Two incidents were reported in 2006, that Jinhai Pulp & Paper found wastewater discharge pipe leakage at a location within 300 meters of the beach, suspended substances spilt over surface water.

II. **Air Pollution (Odour Gases Emission) :**

- The facilities and technology at Jinhai Pulp & Paper have created an environmental impact due to chronic discharge of odour gases exceeding allowable limit. The main component of the odour gases are hydrogen sulfide, methyl mercaptan, diemethyl

mercaptan and dimethyl sufide aether.

- Ø According to statistics from periodical investigations by relevant agencies, Jinhai Pulp & Paper discharged odour gases 43 times in 2006, 33 times in 2007, and 13 times in the first half of 2008.
- Ø Despite relevant local departments have warned, urged, and punished Jinhai Pulp & Paper on many occasions, Jinhai Pulp & Paper has continually made a variety of excuses to refuse taking effective corrective measures.

III. **Problems with Online Monitoring Equipment:**

- Ø According to MEP regulations, Jinhai Pulp & Paper "must install an automatic monitor and control system, and connect it with the networks in all levels of the EPA's monitor and control system."[1] However, upon investigation, relevant departments discovered that the online monitoring equipment used by Jinhai Pulp & Paper in testing wastewater discharge levels of BOD, COD and SS was frequently broken, causing a rather large discrepancy between displayed data and real values.

From August 28th to the 31st, we travelled again to Hainan Jinhai Pulp & Paper's location in the Yangpu Economic Development Zone to conduct an on-the-spot investigation into these problems, and interviewed the residents in surrounding communities. Together, the reports of the villagers reflected that the aforementioned pollution problems of Jinhai Pulp & Paper have already created negative environmental, health, and social impacts on their livelihoods. For example, many villagers in Jinhai Pulp & Paper's neighboring Yangpu Gongtang Lower Village reported that Jinhai Pulp & Paper's chronic high-volume discharge of wastewater has caused severe pollution of the village's drinking water, polluted inshore waters and led to a decline in fish yield, such that the villagers are unable to continue to rely on fishing for stable income. In addition, the villagers there reported that certain illnesses have appeared in recent years, which, they suspect, are related to polluted drinking water. (For more details, please refer to the short film attached to this letter, Appendix 2.)

[1] Jinhai Pulp & Paper was listed in "List of Major State-Monitored & Controlled Wastewater Discharging Enterprises" and "List of Major State-Monitored & Controlled Waste Gas Discharging Enterprises," MEP website, March 29, 2007: http://www.zhb.gov.cn/plan/gongwen/200801/t20080115_116297.htm

We believe that Gold East Paper's held subsidiary, Jinhai Pulp & Paper, has a long history of environmental pollution problems, has not taken effective measures to achieve positive reform to this day, nor have we even seen it express a commitment to change. Not only has this damaged the local environment, it has also brought about a severe negative impact on the livelihood of residents in local communities. This is a serious violation of the relevant requirements of the MEP's "Notice Regarding Environmental Protection Inspection of Enterprises Applying for Public Listing and Listed Enterprises Applying for Refinancing."

Therefore, we appeal to the Ministry of Environmental Protection to take further steps to implement its Green Securities policy, and carry out an investigation and evaluation of the environmental pollution problems and social impact caused by Jinhai Pulp & Paper. Furthermore, we earnestly call for the Ministry to order all companies being packaged in Gold East Paper's public listing application to undergo vigorous reform, conscientiously comply with relevant laws and regulations, and make a public commitment to the government and people of China that under no circumstances will they damage China's ecology, environment, or the lives of residents as the price for business development. Until Gold East Paper's rectifications and reforms are reviewed and accepted, we call for a deferral of any final decision on the environmental review concerning Gold East's public listing by the Ministry.

Through the cooperative efforts of NGOs, we hope to further the implementation of the Green Securities policy and gain strict compliance from more businesses that plan to go public, while helping more and more Chinese people to truly understand the policy. We eagerly await your reply!

Sincerely,

Co-signing organizations:

Friends of Nature
Global Village

Green Earth
Green Watershed
Civil Society Watch
Greenpeace

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Copied to the Policy and Regulation Office of the National Ministry of Environmental Protection.

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Appendix 1: Summary of Jinhai Pulp & Paper Plant Pollution Discharge

Time period: March 2006 – July 2008
Data source: "Report on Yangpu's Environmental Protection," Hainan Province Yangpu Economic Development Zone Planning and Construction Land Bureau, Issues 1-28[2]

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
2008					
1	July 2008	Chemical oxygen demand (CODcr) discharge concentration of 77-143mg/l, average of 97mg/l.			Chemical oxygen demand (CODcr) peak discharge concentration values exceeded Hainan province local standards (100mg/l)[3]
2	May 2008	Chemical oxygen demand (CODcr) discharge			Chemical oxygen demand (CODcr)

[2] Yangpu Economic Development Zone Website: http://www.yangpu.gov.cn/zs/news/search.php?key=%BC%F2%B1%A8&scope=%C8%AB%B2%BF%C4%DA%C8%DD
3 Hainan province's local standard discharge for chemical oxygen demand (COD) for pulp and paper plants is set at 100ml/L: http://www.yangpu.gov.cn/data/news/2006/11/206/; http://www.dloer.gov.cn/ReadNews.asp?NewsID=908

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
		concentration of 60-199mg/l, average of 132mg/l.			discharge concentration values exceeded Hainan province local standards (100mg/l)
3	April 2008	1. Chemical oxygen demand (CODcr) discharge concentration of 75-244mg/l, average of 155mg/l. 2. Data from online monitoring of wastewater COD showed large error compared to lab test results.	Discharged odours gases 6 times in April 2008, each time for a duration of approximately 10-15 minutes.	Development zone MEP urged Jinhai Pulp & Paper to set a deadline for repairs and testing.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
4	March 2008	Chemical oxygen demand (CODcr) discharge concentration of 129-193mg/l, average of 172mg/l.	Discharged odour gases 3 times in March 2008, each time for a duration of approximately 30 minutes.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
5	January 2008	Chemical oxygen demand (CODcr) discharge concentration of 168-263mg/l, average of 217mg/l.	1. Discharged odour gas a total of 4 times in January and February 2008, each time for a duration of approximately 30 minutes. 2. On February 15, sulphur dioxide discharge concentration exceeded allowable		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
			limit due to smoke buildup from a clog in causticized lime pipes from Jinhai Pulp & Paper's #2 power boiler.		
2007					
6	December 2007	Chemical oxygen demand (CODcr) discharge concentration of 167-313mg/l, average of 233mg/l.	Discharged odour gas 4 times in December, each for a duration of 10-15 minutes.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
7	November 2007	Chemical oxygen demand (CODcr) average discharge concentration of 193mg/l.	Discharged odour gases 3 times in November, each for a duration of approximately 15 minutes.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
8	October 2007	Chemical oxygen demand (CODcr) discharge concentration of 140-237mg/l.	Discharged odour gases twice in October, each for a duration of approximately half an hour.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
9	September 2007	Chemical oxygen demand (CODcr) discharge concentration of 146-256mg/l.	Discharged odour gases twice in September, each for a duration of approximately half an hour.		Chemical oxygen demand (CODcr) discharge concentration values exceeded

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
					Hainan province local standards (100mg/l)
10	July 25, 2007	Wastewater discharge severely exceeded allowable limit, main pollutant was COD.	Discharged odour gases 3 times in August, each for a relatively short duration.	Required Jinhai Pulp & Paper to increase wastewater treatment capacity and ensure wastewater discharge meets standards.	
11	July 2007	1. Chemical oxygen demand (CODcr) discharge concentration of 194-230mg/l.	Discharged odour gases twice in July, each for a duration of approximately one hour.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
12	June 2007	1. Wastewater discharge of 1730-2550m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 131-150mg/l.	Discharged odour gases twice in June, each for a duration of 30 minutes.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
13	April 30 – June 1, 2007	1. Wastewater discharge of 2035-2550m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 123-125.5mg/l.	Discharged odour gases 5 times in May, each for a duration of between 1 and 2 hours.		Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
14	April 1-29, 2007	1. Wastewater discharge of 2224-2495m^3/h. 2. Chemical oxygen demand	Discharged odour gases 6 times in April, each for a duration of between 1 and 2 hours.		Chemical oxygen demand (CODcr) discharge concentration

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
		(CODcr) discharge concentration of 115-121mg/l. 3. Malfunction in suspended substances monitoring equipment.			values exceeded Hainan province local standards (100mg/l)
15	March 3-21, 2007	1. Wastewater discharge of 2205-2834m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 118-123mg/l. 3. Suspended substances (SS) concentration of 40-868mg/L		Imposed administrative fine of 50,000 yuan on March 16, 2007.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l) SS concentration exceeded normal levels
16	February 5 – March 2, 2007	1. Wastewater discharge of 2509-3029m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 120.6-130.1mg/l.		Odour gases mainly produced by boiler system, evaporation stations, alkali reclamation boilers, limekilns and wastewater treatment plants. Mostly composed of hydrogen sulphide, methyl mercaptan, dimethyl mercaptan and dimethyl sulphide.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
17	January 20 – February 5, 2007	1. Wastewater discharge of 2310-2675m^3/h. 2. Chemical oxygen demand (CODcr) discharge	During the inspection, discharged odour gas 4 times, each for a duration of 1-2 hours.	Conducted a major investigation into Jinhai Pulp & Paper's problems of high COD levels in wastewater and high	Chemical oxygen demand (CODcr) discharge concentration values exceeded

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
		concentration of 117.8-120.4mg/l.		fluctuation in discharge quantity, while also looking closely into problems of odour gas discharge.	Hainan province local standards (100mg/l)
18	December 6, 2006 – January 20, 2007	1. Wastewater discharge of 2549-2730m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 118.5-152.6mg/l. 3. Wastewater discharged from an inshore temporary outlet, wastewater color basically normal, a small amount of floating foam appeared in the nearby sea.		1. Urged the plant to bring forth a solution to its problems of unstable COD levels in wastewater not meeting standards, high fluctuation in wastewater discharge quantities, and discharge of odour gas. Close attention paid to gas discharge problem. 2. Warned and ordered to submit a written report before discharging inshore in the future.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
2006					
19	October 26 – December 5, 2006	1. Wastewater discharge of 1917-2435m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 109-126mg/l.	During inspection, discharged odour gas 3 times, each for a duration of 1 hour.	Continue follow-up investigation into the plant's problems of unstable COD levels in wastewater not meeting standards, high fluctuation in wastewater discharge quantities, and discharge of odour gas.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
20	September 6 – October 25, 2006	1. Wastewater discharge of 1260-2550m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 155-220mg/l.	During inspection, discharged odour gas 5 times, each for a duration of 1-2 hours.	Given sustained high levels of COD in the plant's wastewater, ordered the plant to take effective measures to lower COD levels as fast as possible.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
21	August 6 – September 5, 2006	1. Wastewater discharge of 1460-2480m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 95-175mg/l. 3. BOD, COD, SS online monitoring equipment still not repaired.	1. On the morning of August 7, 2006, boiler #2 emitted large volumes of yellow smoke for 1 hour. 2. During inspection, discharged odour gas a total of 4 times, each time for a duration of 1-2 hours.	1. Reminded the plant many times of odour gas discharge problem; 2. Urged to repair wastewater online meter	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
22	July 6 – August 5, 2006	1. Wastewater discharge of 1320-2360m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 115mg/l. 3. BOD, COD, SS online monitoring equipment broken, displaying data with large discrepancy from actual values.		Use portable monitoring equipment to conduct irregular weekly monitoring of wastewater.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
23	June 6-18, 2006	1. Wastewater discharge of 1450-2380m^3/h.	Discharged odour gas twice during inspection, each for a		Chemical oxygen demand (CODcr)

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
		2. Chemical oxygen demand (CODcr) discharge concentration of 91~148mg/l.	duration of 1 approximately hour.		discharge concentration values exceeded Hainan province local standards (100mg/l)
24	May 21 – June 5, 2006	1. Wastewater discharge of 1860-2440m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 97~152mg/l.	Odour gas problem still unresolved. During inspection, discharged odour gas a total of 5 times, each for a duration of approximately 1 hour.	Contact provincial office to handle odour gas discharge problem in accordance with regulations.	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l)
25	April 21 – May 20, 2006	1. Wastewater discharge of 1930-2560m^3/h. 2. Chemical oxygen demand (CODcr) discharge concentration of 93~176mg/l.	Odour gas problem still rather severe, receiving many complaints from people of Gongtang Lower Village. During inspection, discharged odour gas 13 times, each for a duration of approximately 1 hour.	From May 17-19, 2006, an odor expert monitored odour gas on the factory grounds. Results showed that odour gas discharge at the Jinhai Pulp & Paper plant in fact exceeded quota	Chemical oxygen demand (CODcr) discharge concentration values exceeded Hainan province local standards (100mg/l) *
26	April 19, 2006	1. Wastewater discharge of 1850-2460m^3/h. 2. A total of two wastewater discharge pipe leakage accidents occurred at a distance 300m offshore, causing suspended substances to accumulate on water surface.	From April 6-20, 2006, discharged odour gas 9 times, each for a duration of approximately 1 hour.	Require Jinhai Pulp & Paper plant to repair wastewater sea discharge pipes, clean up suspended substances from surrounding areas, and restore the bay to its original appearance.	
27	March 24,		Odour gas discharge	On March 21, 2006,	

No.	Date	Pollutant Discharge		Inspection & Recommendations	Explanation
		Wastewater	Waste gas		
	2006		by Jinhai Pulp & Paper plant showing increasing trends in terms of frequency and duration, creating social impact. Reason: 1. Malfunction in evaporation area heat exchangers; 2. "Insufficient odour gas incineration" causing odour gas to be discharged to high altitudes	Jinhai Pulp & Paper factory was issued "Notice Regarding Strict Control of Odour Gas Discharge and Quickly Implementing a Odour Gas Discharge Advance Warning System"	
28	March 8, 2006	The dosing tank and two precipitating tanks had large quantities of drift, water was discharged at a rate of 3000m2/h, and water volume was near twice normal levels for a duration of at least 3 hours.	Quantity of steam produced by RB boiler heat transfer excessively high, equipment could not recycle it in time, and it was discharged through floor drains, and released odour gas for a duration of at least 2 hours.	Require that in the future, before stopping production for inspection and repairs, inform managing bureaus in writing at least a day in advance.	

**Note: According to article 13 of "Wastewater Pollution Prevention Law of the People's Republic of China (Revised) ," when national quality and pollutant discharge standards are inappropriate for local environmental characteristics, the environmental protection departments of the province, autonomous region, or directly administered municipality have the right to organize and formulate local environmental quality and pollutant discharge standards, which, after deliberation of relevant central departments, may be approved and promulgated by the province, municipality, or district. In cases of water discharge of pollutants in localities which already have local water pollutant discharge standards, the local water pollutant discharge standards should be enforced.*

Appendix 2: Jinhai Pulp & Paper Plant's Impact on Surrounding Environment and Community Residents (DVD)

(DVD currently in post-production, will be delivered to the MEP immediately after editing is completed.)

Synopsis: From August 28-31, 2008, inspectors from environmental organizations traveled to Hainan's Yangpu Economic Development Zone to conduct field investigation, and interviewed tens of local villagers in five villages in the vicinity of Jinhai Pulp & Paper, including Gongtang Lower Village. Through this investigation, villagers reported that the Jinhai Pulp & Paper plant had impacted the surrounding environment and residents' lives in four main aspects:

1. Impact of Jinhai Pulp & Paper's wastewater discharge on the sea environment and sources of drinking water. Typical problems include:
   - Villagers reported that Jinhai Pulp & Paper had long taken advantage of heavy rains to discharge black wastewater through sewage pipes into inshore waters, resulting in massive deaths of ocean fish. (Last year thousands of kilograms died, and this year tens of thousands of kilograms of fish were killed.)
   - Villagers reported that water in the only two wells in Jinhai Pulp & Paper's neighboring Gongtang Lower Village had been polluted, and was now undrinkable.

2. Impact of Jinhai Pulp & Paper's wastewater and waste gas discharge on local residents' health. Typical problems include:
   - Villagers reported suffering from problems of peeling and even festering skin upon contact with wastewater, including workers, children, and shepherds, etc.
   - Villagers from several villages reported that Jinhai Pulp & Paper continues to discharge odour gas at present, releasing gases once every two or three days. Gas odor causes nausea, especially severe in elderly and infants.
   - Villagers of Gongtang Lower Village reported that odour gas discharged by Jinhai Pulp & Paper caused symptoms such as nasal inflammation and red, puffy eyes in 80% of the villagers.
   - Villagers reported that since Jinhai Pulp & Paper went into production, likelihood of villagers contracting various illnesses has increased, most common illnesses including headache, liver disease, tuberculosis, nasal inflammation, eye inflammation, skeletal deformation, peeling and even festering skin, as well as birth defects.

3. Social and economic problems related to Jinhai Pulp & Paper. Typical problems include:
   - Villagers reported that due to pollution of water sources, some residents have been forced to buy bottled water, worsening livelihood of those residents who have been under difficult economic situation.
   - Villagers reported that large volumes of discharged wastewater have killed off large numbers of fish and polluted inshore waters, causing huge impact on residents who relied on fishery as their main source of income.
   - Villagers reported that due to inability to maintain steady income, most villagers had already sold off their fishing vessels and were now unemployed.
   - Villagers reported that fishermen abandoned fishing could not get new employment, because Jinhai Pulp & Paper refused to employ local villagers. This results in a large idling labor force, many youth are now suffered from unemployment.
   - Local villagers have requested the Yangpu Economic Development Zone Bureau and Jinhai Pulp &

Paper for many times to channel its or other sources of unpolluted water to the village, however this problem has never been resolved.

4. Jinhai Pulp & Paper's sludge waste management and other problems. Examples include:
   - In July 2007, a tropical crop farm in Guangcun Town of Danzhou City complained that every day, Jinhai Pulp & Paper would deliver sludge waste to Zhenkang and other neighboring villages for dumping, and that the sludge waste had already begun piling up to form mountains. According to the person filing the complaint, there was a high likelihood that the odours were poisonous.
   - Investigators found that Jinhai Pulp & Paper had been disposing of waste sludge produced from its wastewater plant by transporting daily it by truck and dumping it in the woods near neighboring Luoji Town. Investigators smelled the offensive odour gases given off by the waste sludge, however, based on Jinhai Pulp & Paper's relevant documents, it could not be confirmed whether or not this sludge waste is poisonous, whether or not it has been treated, and whether or not it will cause pollution of the soil and surrounding farmlands.
   - Villagers of Gongtang Lower Village reported that the noise created by Jinhai Pulp & Paper far exceeded the allowed 80 decibels, reaching as high as "thousands of decibels".