



THE MARKET

Paper is one of the four great inventions of ancient China. With the impressive growth of the country's economy, the demand for high-quality paper products has surged and the paper manufacturing industry is booming. In 2003 China's production of paper products reached 43 million tons and consumption topped 48 million tons, accounting for 10% and 14% respectively of the global total, second only to the US. The annual global increase in both production and consumption of paper products has averaged over 10% in recent years. The globalisation of the mainland's paper industry is accelerating, especially since China entered the WTO. There are great opportunities and challenges in international markets competition for the Chinese paper industry.

ACHIEVEMENTS

As China's economic growth has accelerated with the adoption of more open market practices, the need for paper products has jumped. Asia Pulp & Paper Co Ltd (APP) made the first of a series of long-term investments in the mainland in 1992. The company has established 12 big, modern paper mills and deep processing mills, 10 forestry centres and one pulp mill, all in the form of solely funded enterprises or joint ventures in Jiangsu, Zhejiang, Guangdong and Hainan. APP has become the leading name in the sector in China in terms of scale, utilities and technology.

APP has formed a vertically integrated chain of forestry, pulp and paper operations. These projects include Jiangsu Gold East Paper Co Ltd, the biggest copperplate paper mill in the world and the biggest paper mill

in China with an annual capacity of over 1 million tons of copperplate paper. Previously, China had had to depend on imports of top-grade copperplate paper. There is also Ningbo Zhonghua Paper Co Ltd, the biggest white paper board manufacturer in China with an annual capacity of 500,000 tons. Gold Hong Ye Paper (Suzhou Industrial Park) Co Ltd, the biggest household paper manufacturer in Asia with an annual production capacity of 120,000 tons, provides a series of paper products like Virjoy, Breeze and Zhen Zhen – all-brands boasting the largest sales volume in their sector in China. Gold Hua Sheng Paper Co Ltd, the biggest non-carbon paper plant in China, has an annual capacity of 250,000 tons. Hainan Jinhai Pulp & Paper Co Ltd, the biggest pulp manufacturer in China, has an annual capacity of 600,000 tons. Yalong Paper (Kunshan) Co Ltd, the biggest paper product manufacturer in China, makes the widely respected Flagship series of copy paper.

APP's total assets in China have reached US\$4 billion, with annual production capacity of more than 2.5 million tons. In 2003 APP's turnover in China surpassed 15 billion yuan and it paid more than 1 billion yuan in taxes, accounting for 0.07% of the fiscal revenue of the central government. Gold East Paper and Ningbo Zhonghua Paper, two of its subsidiary companies, won the title of A Hundred Star Overseas Chinese Funded Enterprise in 2002-03, awarded by the State Council, ranking first and second among the awardees.

All 12 APP paper mills in China have acquired ISO:9002 International Quality Control System certification, and 11 of them have obtained ISO:14001 International Environmental Management System certification.

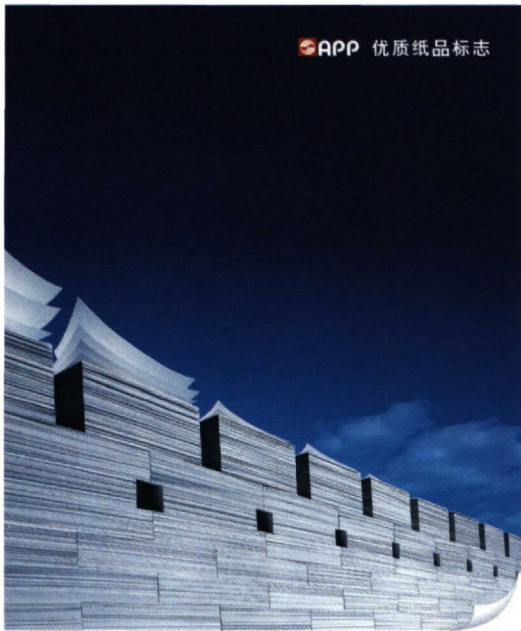
APP adheres to the principle of sustained business and is dedicated to cultivating artificial forests. So far it has cultivated forests covering 2.2 million mu and its five forest sites have all acquired ISO:14001 International Environmental Management System certification, challenging

the common impression that paper mills are not ecologically friendly. In April 2004 Gold East Paper Co Ltd even earned the title of National Environment-Friendly Enterprise conferred by the National Environment Protection Bureau.

HISTORY

APP was established in October 1994 with its head office in Singapore. With its strong profile and management, APP ranks among the world's top 10 manufacturers of printing and writing paper, and is the largest pulp and paper group in Asia outside Japan. Its total assets exceed





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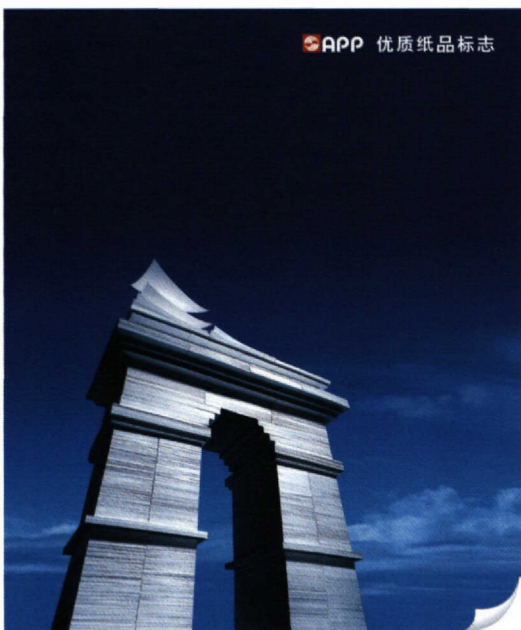
US\$10 billion and its annual production and processing capacity amounts to about nine million tons. APP owns over 1 million hectares of forestry around the world.

Sinar Mas Group, the parent company of APP, was founded by Eka Tjipta Wijaya, an Indonesian Chinese, in 1962 and has been ranked as the largest financial group in Indonesia by *Forbes* magazine. The investments of Sinar Mas Group span Asia, Europe and America with four core industries: pulp and paper, finance, agriculture and food processing and real estate. Pulp and paper, headed by APP, is the largest of Sinar Mas Group's industries.

THE PRODUCT

APP has stuck to the principle of "Replacing Imports to Serve China". After more than 10 years of development, APP's products now cover the mid-and high-grade paper product markets in China and meet the demands in printing, packaging, office, hygiene etc.

Cultural paper produced by APP ranges from copper plate paper/board, wood-free paper, copy paper, printing paper and cash register paper rolls

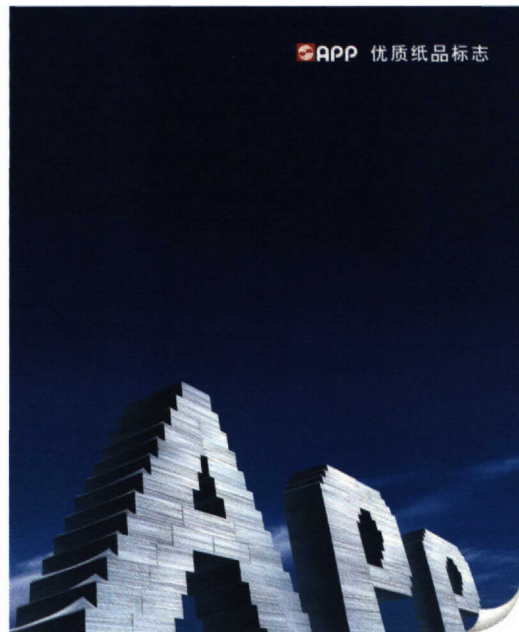


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to carbonless paper etc. The brands include Space Shuttle and East Sailing copper plate paper by Gold East, Flagship copy paper by Yalong, Canary copy paper by Jinxin, Record carbonless paper by Gold Hua Sheng, all premium brands in the market.

As for industrial paper, a variety of high-grade, coated white paper board is produced by Ningbo Zhonghua Paper Co Ltd under renowned brands such as Gold Shell, Gold Seagull and Hanwei.

Gold Shell has won the National Gold Prize, while Gold Seagull and Hanwei have been conferred First Brand of Reputation in China status and the Gold Seagull series has earned the title of Famous Brand in China.



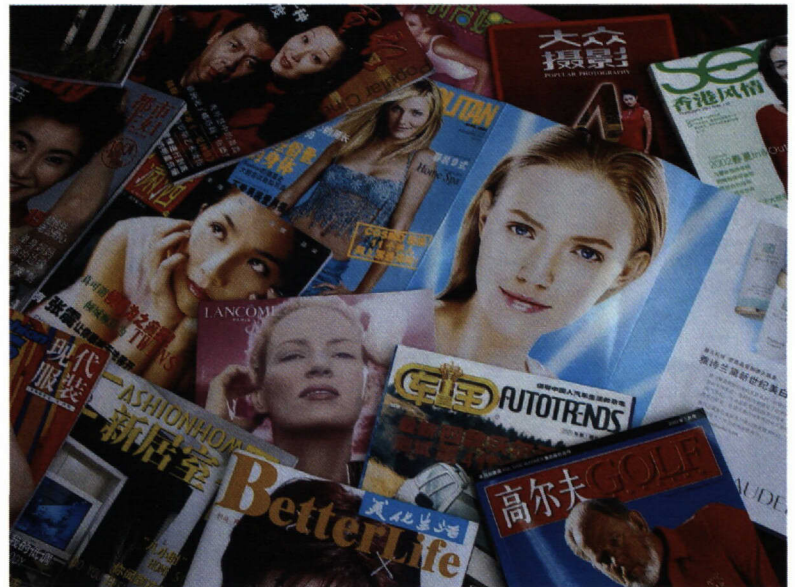
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Gold Hong Ye Paper Co Ltd manufactures a wide range of household paper products under the Virjoy, Breeze and Zhen Zhen names, extending from tissues to facial and wet wipes, napkins, kitchen towels and hand towels. Combined market share of the three brands is about 20%, unparalleled in China.

Yalong Paper (Kunshan) Co Ltd produces a variety of notepads, die cuts, paper cups, paper bowls etc. The Wanshilong, Blue Snail and Big Eye series of notepads are the leading brands and are widely exported to Europe, America and Japan.

RECENT DEVELOPMENTS

Since 2003 Sinar Mas Group has embarked on three major projects: the Hannan Gold Haijiang Paper Mill, the third Ningbo Zhonghua Paper mill and the third Gold East Paper machinery project, with a total investment of 20 billion yuan. Once these three projects are completed, APP's production capacity in China will double from 2.5 million to five million tons.



PROMOTION

APP has established 16 sales companies in the mainland and an office in Hong Kong. It clings to the idea of "managing the hearts of customers" in providing punctual and perfect services so as to establish a "life community" with customers and partners.

Meanwhile, APP employs advanced international management like Management by Olymics System (MBOS), Cycle Time Reduction (CTR), Skill Development Activity (SDA) and Total Quality Management (TQM), and is committed to satisfying suppliers, dealers and all commercial partners.

BRAND VALUES

In 2003 APP integrated its group brand with more than 60 of its subsidiary brands. As a result, the APP brand is displayed on the packaging, advertisements and brochures of the products of all subsidiaries. This move helped propel the sales of subsidiaries and the reputation of their individual brands.

In the mean time, a series of advertisements for APP High Quality Products have been widely placed in television, print and outdoor media.

THINGS YOU DIDN'T KNOW ABOUT APP

- Sinar Mas Group made a donation of 10 million yuan to flood relief in the summer of 1998
- In April 2003 APP donated 10 million yuan to the Beijing municipal government towards the fight against SARS
- The group has pledged to donate 100 million yuan towards the 2008 Beijing Olympic Games
- Sinar Mas Group has made total donations of more than 80 million yuan in China, and in 2004 was ranked second among foreign-funded enterprises in the Chinese Charity List, as conducted by *Forbes* magazine