Exporter Briefing – Phoenix Pulp and Paper Public Co., Ltd

Introduction

Phoenix Pulp and Paper Public Co., Ltd ("PPPC") is a company owned by SCG Packaging Public Co Ltd ("SCG") (76 per cent) and Nippon Paper Industrial Co., Ltd (22 per cent). SCG is owned 98.49 per cent by the Thai conglomerate The Siam Cement Public Co., Ltd ("Siam").

SCG Paper Subsidiaries:

	Name	Principal Business / Products	Location (Head Office / Factory)	Telephone	Facsimile	Type of shares	Number of paid-up shares (Million shares)	Issued and paid-up shares (Million Baht)	Direct / Indirect Company and Subsidiaries Holding (Percent)	Total Direct / Indirect Holding * (Percent)
223	SCG Paper Public Company Limited	Holding company	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	156	1,563	98	98
224	Siam Kraft Industry Co., Ltd.	Kraft paper	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	35	3,450	98	98
225	United Pulp & Paper Co., Inc.	Kraft paper	Philippines	(632) 870-0100	(632) 870-0409	Preferred shares	840	4,328	98	98
						Ordinary shares	141			
226	Paperlink Inter-Trade Corporation	Kraft paper	Philippines	(632) 870-0100	(632) 870-0409	Ordinary shares	0.1	1	98	98
227	InfoZafe Co., Ltd.	Shredding business	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	1	70	98	98
228	SCGP Excellence Traning Center Co., Ltd.	Training and Seminar	Bangkok	66-2586-3876	66-2586-4507	Ordinary shares	1	49	98	98
229	SCG Paper Energy Co., Ltd.	Energy	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.01	1	98	98
230	Thai Cane Paper Public Company Limited	Kraft paper	Bangkok	66-2440-0707	66-2440-0717	Ordinary shares	358	3,583	92	92
231	Thai Paper Co., Ltd.	Printing and writing paper	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	17	1,700	75	75
232	Thai Union Paper Public Company Limited	Printing and writing paper	Samut Prakam	66-2754-2100-10	66-2754-2118	Ordinary shares	43	430	75	75
233	Siam Cellulose Co., Ltd.	Bleached pulp	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	41	4,070	75	75
234	The Siam Forestry Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	2	184	75	75
235	Panas Nimit Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.02	2	75	75
236	Thai Panason Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.02	2	75	75
237	Thai Panadorn Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.02	2	75	75
238	Thai Panaram Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.02	2	75	75
239	Suanpa Rungsaris Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.02	2	75	75
240	Siam Panawes Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.03	3	75	75
241	Thai Panaboon Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.03	3	75	75
242	Thai Wanabhum Co., Ltd.	Forestry	Bangkok	66-2586-3333	66-2586-2164	Ordinary shares	0.03	3	75	75
243	Phoenix Pulp & Paper Public Company Limited	Bleached pulp	Khonkaen	66-2586-3333	66-2586-2164	Ordinary shares	211	2,206	75	75
		Printing and writing paper				Preferred shares	10			
244	Phoenix Utilities Co., Ltd.	Utilities	Khonkaen	66-2586-3333	66-2586-2164	Ordinary shares	15	1,500	75	75
245	Thai Containers Group Co., Ltd.	Corrugated boxes	Bangkok / Pathumthani / Samut Prakarn / Ratchaburi	66-2586-5991	66-2586-4723	Ordinary shares	14	1,384	69	69
246	Thai Containers Khonkaen Co., Ltd.	Corrugated boxes	Khonkaen	66-2586-3333	66-2586-2164	Ordinary shares	0.2	150	69	69
247	Thai Containers Rayong Co., Ltd.	Corrugated boxes	Rayong	66-2586-3333	66-2586-2164	Ordinary shares	1	650	69	69
248	Vina Kraft Paper Co., Ltd.	Kraft paper	Vietnam	(848) 268-0240-2	(848) 268-0239	**	-	6,069	69	69
249	TCG Rengo (S) Limited	Corrugated boxes	Singapore	(65) 6661-7325	(65) 6265-3144	Ordinary shares	2	56	69	69
250	New Asia Industries Co., Ltd.	Corrugated boxes	Vietnam	(848) 3729-4160	(848) 3729-3028	**	-	345	69	69
251	Alcamax Packaging (Vietnam) Co., Ltd.	Corrugated boxes	Vietnam	(84) 650-3743031	(84) 650-782816	**	-	607	69	69
252	AP Packaging (Hanoi) Co., Ltd.	Corrugated boxes	Vietnam	(84) 320-3753862	(84) 320-752868	**	-	248	69	69
253	Packamex (Vietnam) Co., Ltd.	Flexible Packaging	Vietnam	(848) 729-1030	(848) 729-1031	**	-	220	69	69
254	TC Flexible Packaging Co., Ltd.	Holding company	Bangkok	66-2586-5991	66-2586-4723	Ordinary shares	3	340	69	69
255	PT Primacorr Mandiri	Corrugated boxes	Indonesia	(6221) 596-2345	(6221) 596-2000	Ordinary shares	0.1	294	62	62
256	PT Indoris Printingdo	Corrugated boxes	Indonesia	(6221) 596-0772-3	(6221) 596-0774	Ordinary shares	0.02	55	62	62
					(6221) 596-3076					
257	Dyna Packs Co., Ltd.	Corrugated boxes	Samutsakorn	66-2810-9346-7	66-2810-9103	Ordinary shares	1	90	52	52
258	Orient Containers Co., Ltd.	Corrugated boxes	Samutsakorn	66-3488-3422-4	66-3488-3421	Ordinary shares	26	260	52	52
259	D-In-Pack Company Limited	Corrugated boxes	Nakhonpathom	66-3498-1401-4	66-3498-1406-7	Ordinary shares	0.005	50	52	52
260	Tawana Container Co., Ltd.	Corrugated boxes	Samut Prakarn	66-2324-0781	66-2324-0079	Ordinary shares	3	300	50	50
261	Thai British Security Printing Public Company Limited	Securities document	Samut Prakarn	66-2754-2650-8	66-2384-0917	Ordinary shares	11	110	49	49
262	Thai British DPost Co., Ltd.	Digital printing	Samut Prakarn	66-2661-5215	66-2661-9580	Ordinary shares	3	34	25	25

The Crown Property Bureau is understood by Australian Paper to be owned and managed by the Royal Family of the Kingdom of Thailand, along with CPB Equity Co. From SCG's Annual Report we can see that direct Thai Royal Family ownership is 31.673%.

7.1 The Company's Securities

- Registered Capital: 1,600 Million Baht.
- Issued and fully paid share capital: 1,200 Million Baht, comprising 1,200 Million ordinary shares.
- Ordinary shares at 1 Baht par value (At the Annual General Meeting of Shareholders held on March 26, 2003, the shareholders unanimously approved to change the par value of ordinary shares of the Company from 10 Baht per share to 1 Baht per share. The Company registered the change with Department of Commerce on April 17, 2003.)
- The Company does not issue other types of shares, except from ordinary shares.

7.2 Shareholders

1) First 10 major shareholders as at December 30, 2014

Shareholders	No. of ordinary shares	Percent of total shares
1. THE CROWN PROPERTY BUREAU	360,000,000	30.000
2. THAI NVDR CO., LTD. *	110,460,507	9.205
3. STATE STREET BANK EUROPE LIMITED	47,058,975	3.922
4. CHASE NOMINEES LIMITED 42	32,758,432	2.730
5. BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	25,355,736	2.113
6. STATE STREET BANK AND TRUST COMPANY	20,654,453	1.721
7. HSBC (SINGAPORE) NOMINEES PTE LTD.	20,646,801	1.721
8. SOCIAL SECURITY OFFICE	20,077,600	1.673
9. CPB EQUITY CO., LTD. **	19,220,000	1.602
10. OFFICE OF PRIVY PURSE	15,473,000	1.289

Remark:

* Thai NVDR Co., Ltd. (Thai NVDR) is a subsidiary owned by the Stock Exchange of Thailand (SET) and regarded as listed securities in the SET who is responsible for issuing and selling Non-Voting Depository Receipts (NVDRs) to investors. The service is offered to all, irrespective of the number of securities held or the holder's nationality. NVDR holders receive the same full financial benefits as they would receive had they invested directly in shares (i.e. dividends, rights, and warrants) but there are no voting rights for NVDR holders. Further information regarding Thai NVDR Co., Ltd. can be found on www.set.or.th.

** CPB EQUITY Co., Ltd. is a company whose shares are 100% held by The Crown Property Bureau.

2) The majority of shareholders are a group whose movement has a marked influence on the establishment of corporate policy and strategy. (As at December 30, 2014)

Shareholders	No. of ordinary shares	Percent of total shares
1. THE CROWN PROPERTY BUREAU	360,000,000	30.000
2. CPB EQUITY CO., LTD.	19,220,000	1.602

• Among major shareholders, the company does not have any shareholding agreement, which might affect its management.

3) Minor Shareholders (As at February 21, 2014)
Total number of Minor Shareholders (Free float) is 20,345, equivalent to 67.70%

4) The company has imposed limitations on the number of shares which can be held by the foreigners at 25% of fully paid-up capital. As at December 30, 2014, the company declared that 25% of fully paid-up capital shares are held by the foreigners.

<u>Phoenix pulp and paper mill</u>

SCG owns Thai Paper Company Limited "Thai Paper" and specializes in producing a range of copy, printing, writing, and specialty papers, with a total capacity of 547,000 tonnes from 3 plants – Thai Paper Mill, Thai Union Paper Mill, and Phoenix Pulp and Paper Mill.

The Phoenix paper mill is located in the north of Thailand at Khonkean. The inland transport costs to port, therefore, will require consideration by the Commission.

Phoenix produces pulp from bamboo and kenaf (a non-wood plant). It is the second largest pulp mill in Thailand. The pulp plant has the capacity to produce approx. 230,000 tonnes per annum. Over 90 per cent of its paper products are produced from eucalypts and bamboo, which are harvested from local farmers' plantations. The company has developed partnerships with farmers – offering training, as well as seedlings, fertilizer and guaranteed prices for trees.

The SCG Group operates a company "SCG Paper Forestry" that is charged with procuring the fibre for PPPC, which is approximately 1.5 million tons/yr, secured from plantations within a 200-km radius.

A new cooking plant and fibre line upgrade occurred recently (2013) that included a two vessel digester for producing 180,000 tonnes/yr of eucalyptus pulp and also included a wash press for the fibre line upgrade. With the new cooking system PPPC has increased pulp capacity. It is understood that the mill has the capacity to produce circa 200,000 tonnes per annum of uncoated woodfree paper.

<u>Australian Sales</u>

AP understands that SCG imports copy paper through Central National Australia Pty Ltd (CNA), a division of Central National Gottesman Inc who state on their website:

> *Central National is a sales and distribution leader in the worldwide supply of pulp, newsprint, publication and fine papers, business and specialty papers, tissue, packaging, paperboard and plywood. We specialize in sales and marketing programs, logistics solutions and trade services, with offices in 26 countries around the world.*

CNA stated in an Interested Party submission on 20/5/16 that;

Central National Australia is sales company that has worked with several exporters over many years in selling paper (including A4 copy paper) to Australia and New Zealand. For the period under investigation, we worked with a Thailand paper producer, Phoenix Pulp & Paper Public Corporation Ltd, in promoting and selling their grades into distributors in the Australian market.

AP requests that the Commission investigate what [*support is*] applicable to CNA and their distributers in the Australian market.

The below graph shows Export volumes from Thailand to Australia during the investigation period. Given that Thailand imports are not visible on any publicly available data (i.e. ABS import stats), due to classification under NCD category. As such we have surrogated data commissioned by AP from TradeData International. AP anticipates that this investigation will result in the correct classification of goods that is critical to domestic manufacturers and forms the basis of data used to assess the domestic market in which AP operates.

[Graph of Australian Imports from Thailand, Volume and Price]

It is evidenced above that import volumes from Thailand have increased over the most recent four-year period. At the same time, the FOB US $/T price has decreased consistently (certainly by greater amounts than the stated 15 per cent reduction in the Thai Baht v A$). This highlights the commoditization of the goods in the domestic market, further evidencing AP's assertion that purchasing behavior is directly linked to pricing as opposed to perceived quality.

Australian Paper's market intelligence suggests that approximately xx% of the Thai imports into the Australian copy paper market are produced by PPPC, estimated as being at least [*volume*] tonnes per annum and representing around xx% of the Australian market for the goods under consideration.

Exporter Questionnaire Response

Management fees

PPPC' EQR response indicates that its major shareholder, SCG Packaging Public Co., Ltd ("SCG") charges a management fee to PPPC. The Anti-Dumping Commission ("the Commission") will seek to verify the amount of the Commission paid by Phoenix during the period and ensure it is included in PPPC's cost to make and sell paper sold during the period.

Paper sales

PPPC sells paper on the domestic and export markets through Thai Paper. PPPC's sell price to Thai Paper is likely to be affected by their relationship. The Commission will examine where it is appropriate to "collapse" the SCG Group of companies for normal value purposes.

Discounts, rebates

PPPC' EQR response at B-6 indicates that it does not provide discounts or rebates on export sales to Australia. Australian Paper encourages the Commission to investigate this area further with PPPC as rebates (in various forms) are common in the copy paper industry.

Exported goods & like goods

It is likely that a significant proportion of copy paper produced and sold domestically in Thailand is of lower grammage (i.e. 70gsm). However, it is expected that there will [*estimate*] 80 gsm paper for comparison with export sales to Australia.

Domestic sales commissions, discounts, etc

PPPC appears to pay domestic commissions, discounts, rebates, etc on its local sales. Australian Paper submits that such price reductions are also payable on export sales. [*flow of pricing support*] to flow through to their Australian Importer CNA and other downstream distributers.

Level of trade

Comments re level of trade claims for adjustment are redacted from the PPPC EQR. It would appear that it is suggested such differences are evident in pricing for sales on the domestic market. Australian Paper requests the Commission to establish clear and distinct differing channels of trade, and that prices vary according to the differing levels of trade.

Credit terms

It is likely there exists differing payment terms between domestic and export sales. In establishing payment terms for domestic sales, Australian Paper requests that the Commission evidence actual payment dates and contrast with stipulated payment terms (to confirm any late payment).