

INVESTIGATION INTO THE ALLEGED DUMPING OF POLYVINYL CHLORIDE HOMOPOLYMER RESIN

EXPORTED FROM

THE REPUILIC OF K REA

EXPORTER VISIT REPORT

LG HEM LIMITED

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER PROTECTION

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2 BACKGROUND

2.1 Background to the current investigation

On 16 March 2012, Australian Vinyls Corporation Pty Ltd (Australian Vinyls) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of polyvinyl chloride homopolymer resin (PVC) exported to Australia from the Republic of Korea (Korea).

Following an examination of the application, the delegate of the Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. An investigation into the alleged dumping of PVC export of to Australia from Korea was initiated on 23 April 2012.

Customs and Border Protection published a notice in *The Astralian* newspaper on the date of initiation. Australian Sustons Dumping Notice (ACDN) No. 2012/14 provides further details on its initiation and is available at www.customs.gov.au.

The investigation period used to determine whether dumping has occurred is 1 January 2011 to 31 December 2011.

Customs and Border Protectio will examine the Australian market and the economic condition of the industry from 1 January 2009 for the purpose of injury analysis.

Following initiation of the investigation, a search of Customs and Border Protection's import (atables indicate that LG Chem Limited (LG Chem) and LG International Corp. (GI) exported PVC to Australia from Korea during the investigation period

Customs and Border hiptection wrote to LG Chem advising the company of the citiatic of the investigation, requesting co-operation with the investigation and providing the company with a copy of the exporter questionnaire to complete

LG Chem and LGI are identified as subsidiaries of LG Corporation. LG Chem manufactures and exports the goods, whilst LGI is a trader of the goods.

This report will categorise export sales made by LG Chem in two tiers as follows:

- direct exports: comprising all export sales executed directly between LG Chem and Australian importers during the investigation period; and
- indirect exports: comprising all export sales made between LG Chem and Australian importers via traders, both affiliated and unaffiliated, during the investigation period.

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LG Chem completed the exporter questionnaire on behalf of both LG Chem and LGI. The response provides details regarding both companies and the commercial relationship that exists between them, overseas supplier information, imports and expenses.

2.2 Purpose of meeting

The purpose of the visit was to verify information submitted by LG Chem in their exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaire.

A non-confidential version of the exporter questionnaire reponse was placed on the public record.

Customs and Border Protection will use the verified informatio gathered at the visit to make preliminary assessments of:

- like goods;
- who is the exporter and who is the impleter
- export prices;
- normal values; and
- dumping margins.

2.3 Meeting and preliminary issues

COMPANY:	Lo Chemical L
ADDRESS:	G Twin Towers Seoids 16.9 Toung pungpo-gu Seoul 1.0-721, Korea
DATE:	3 Jay 2012 – 5 July 2012
ATT IDEL LG bem	
Mr K.S. Kim	Director, Sales and Marketing Department, PVC Division
Mr Shane (3) Hwang	Team Leader, S/T PVC Overseas Sales Team, PVC Division
Mr Benjamin To	Senior Manager, Sales and Marketing Department, PVC Division
ATTENDEES: Consulta	nts
Mr Wayne Park	KPMG Samjong Consulting Inc.,
Mr Min Kyun, Kim	KPMG Samjong Consulting Inc.,
Mr Moon Park	KPMG Samjong Consulting Inc.,
Mr Myong Kim	KPMG Samjong Consulting Inc.,
Mr Sung-baek Jin	KPMG Samjong Consulting Inc.,
ATTENDESS: Australia	Customs and Border Protection
Mr. John Bracic	Director, Operations 1
Ms. Nicole Platt	Manager, Operations 2
Ms. Pamela Garabed	Supervisor, Operations 1

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At the outset of the meeting Customs and Border Protection provided an overview of the investigation process including the following key dates:

- statement of essential facts (SEF) due by 13 August 2012;
- submissions in response to the SEF due by 2 September 2012; and
- final reports to the Minister due by 25 September 2012.

We advised LG Chem that we would prepare a confidential report on the visit and provide the opportunity for LG Chem to review the report for accuracy. Following approval of this report a non-confidential version would then be prepared for the public record.

We also informed LG Chem that all information provided by LG Chem to Customs and Border Protection would be treated as confidential unless advised otherwise.

We explained the operation of the public file system and the portunity for LG Chem and interested parties to comment a reports and somissions placed on the public record.

LG Chem fully cooperated during the visit and provided in team with access to all requested information.

3 COMPANY INFORMATION

3.1 Company background

3.1.1 LG Chem

LG Chem is a share limited company, incorporated on 1 April 2001 in accordance with the laws of Korea. LG Chem's Petrochemical Company is responsible for the manufacture and sale of PVC products. PVC is manufactured at both the Yeosu complex and Daesan complex.

[Company ownership]

A diagram representing the organisational structure of LG hem was provided with the response to the exporter questionnaire. It is attached confidential attachment GEN 1.

3 1.2 LGI

LGI is a share limited company, incorporated on 2 No inber 1953 in accordance with the laws of Korea. LGI is a training company that exports

[Company ownership]

A diagram representing the reganisational structure of LGI was provided with the response to the exported question aire. It is attached at confidential attachment GEN

3.2 Commercial operations

3.2.1 _Cener

[Details of production]

3.2.2 Production process

The production process is described below in section 7.1. Whilst a visit to LG Chem's production facilities was not undertaken, the company provided a presentation of its manufacturing operations and we were able to confirm that the production process is undertaken by LG Chem at its Yeosu and Daesan PVC plants in Korea, as well as at its LG-DAGU PVC plant, which is a joint venture subsidiary located in China.

LG Chem manufactures straight PVC, known also as a suspension resin, paste PVC and special PVC. These types of PVC are distinguished on the basis of the degree of polymerization, which determines end use. The specification and application of the range of PVC products produced by LG Chem is attached at **confidential attachment GEN 3**.

Of the total volume of units of the GUC sold by LC Chem during the investigation period was sold domestically, was sold to Australia and was sold to third country export markets.

3.3 Accounting

Both LG Chem and LGI maintain their accounts and produce financial statements according to the Generally A served Assounting Principles (GAAP) of Korea. Both companies use the car odar year as their financial year.

LG Chem advised that it used the AP software accounting system. At the visit we were provided with a dehanistration of the system in operation.

Under Korean law, both companies are required to have their accounts audited. LG Chem resulted a consolidated audit report for both companies for the 2011 Korean financial year.

We were provide with the 201 consolidated audit reports for both LG Chem and LGI. These are actual a confidential attachment GEN 4 and GEN 5.



4 GOODS UNDER CONSIDERATION AND LIKE GOODS

4.1 The goods

The goods the subject of the application are described as follows:

Polyvinyl chloride homopolymer resin (PVC) is a white powder produced by the polymerization of vinyl chloride monomer ("VCM"). PVC can be manufactures through a suspension process or a mass process and the final goods are considered to be similar and interchangeable.

The application excludes paste (or emulsion) compoung grades and recycled PVC.

4.2 Tariff classification

The goods are classified to tariff subheading 3904.1.00 statished coch 18 of Schedule 3 to the *Customs Tariff Act 1995*. The cuty rate is currently 5%.

4.3 Like Goods

4.3.1 General

During the investigation period LG hem exported only straight PVC products in four varying degrees of polyherist ion to Australia. These are summarised below:



LG Chem sells a wider range of goods domestically to that imported to Australia. Whilst only suspension resins are exported to Australia,

[Product sales]

Of the straight PVC products, LG Chem sold the following product sizes domestically:

School .	Polymerization Pages of Velia	Description	Packaging type
	17)		

4.3.2 'Lingoods'

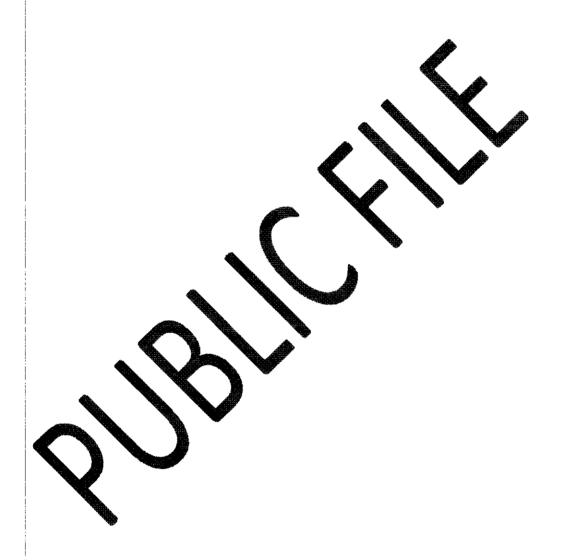
In its exporter questionnaire response, LG Chem claimed that there is no difference between goods sold on the domestic market and goods exported to Australia for the particular model.

We consider that the straight PVC suspension resins sold by LG Chem on the domestic market of Korea are like goods to the goods under consideration exported to Australia by LG Chem in the investigation period. Both the domestically sold and exported goods are produced at the same facilities using identical raw materials and manufacture process. The goods manufactured for domestic consumption are not distinguished from the exported goods during the production process. The goods have the same end use and are functionally and commercially alike.

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4.3.3 Conclusion on like goods

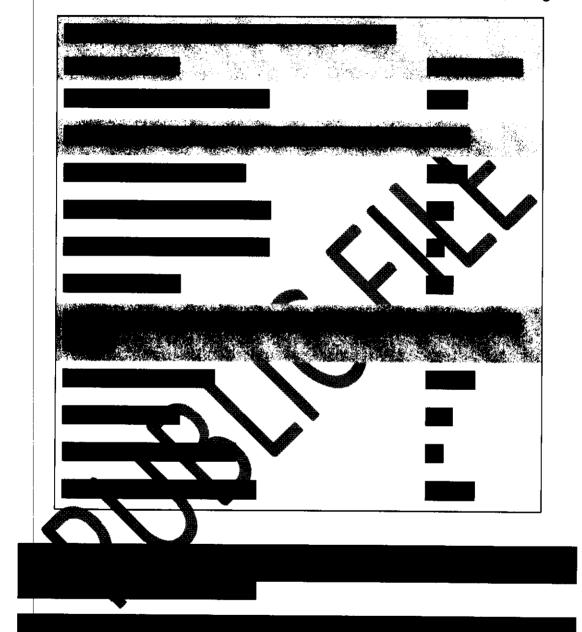
We are satisfied that the PVC products sold on the domestic market by LG Chem are like goods to the goods under consideration exported to Australia by LG Chem over the investigation period.



5 EXPORT SALES

5.1 General

LG Chem identified three channels of sales to Australian customers, being:



LG Chem provided both details of sales to Australia executed through channels 1 and 2 (being direct and indirect via LGI) and details of sales to unaffiliated traders for the investigation period in the Australian Sales spreadsheet as part of its response to the exporter questionnaire.

[Sales details]

At the outset of the onsite verification, LG Chem provided an amended Australian Sales spreadsheet in respect of sales through LGI to account for errors in relation to the inclusion of GST and some marine insurance costs.

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Specific details are outlined in the error and correction list at confidential attachment EXP 1.

5.2 Export sales process

LG Chem outlined that its export sales process during the investigation period was as follows:

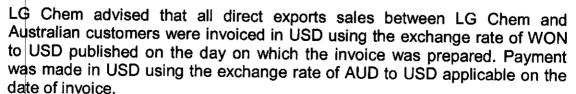
5.3 Price

LG Chem indicated that it steks to see a standard price for the GUC, taking into account the parks price the cost of goods and the prices set by competing suppliers

[Price deta mination]

5.4 Export sales terms

The delivery terms for all sales of PVC to Australia during the POI were



<i>iPay</i>	ment	term	si

5.4.1 Discounts, rebates and allowances

LG Chem stated in its response that it does not provide its Australian customers with discounts, rebates or allowances and that the price on the invoice is the price paid.

cus	tomers]	[[Detalls	of	terms	negotiated	with	Australian
						W .		,

5.5 Export sales verification

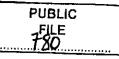
5.5.1 Accuracy

Prior to the visit, we selected eight inverses from the Australian Sales spreadsheet. We requested supporting commercial documents in relation to the following selected invoices for distart exports of G Chem:

Export Invoice #	Product	Invoice date
TV		

We also requested supporting commercial documentation in relation to the following selected invoices for indirect exports via LGI:

Export Invoice #	t Invoice # Product	



We requested that LG Chem provide the following commercial documents related to all selected transactions:

- commercial invoice from LG Chem to the importer:
- documentation relating to inland transport (logistics) to wharf:
- handling and other FOB-related charges:
- bill of lading; and
- proof of payment.

These documents were provided and are at confidential attachment EXP 2.

[Logistics details]

We traced the invoice details to the export the Australian Sales ta il spreadsheet and noted no discrepancies.

5.5.2 Completeness

To check the completeness and releance of 10th domestic sales and direct and indirect export sales to Australia, we verify dithe information contained in the exporter spreadsheets upwards trough management reports to audited financial statements both G Chem a d LGI.

We examined LG hales accounting a link to its accounting ber system and recognised he to a sales of the GUC for the POI in the sales ledgers to that recorded in the Australian Sales spreadsheet. We did this same process in relation to comestic sales. These both reconciled with LG evia d incom statement for the period of investigation.

ne sales ledger for exported PVC to Australia is at confidential The line by attachmi EXP 3.

We were the able to reconcile the income statement for the investigation period to LG Chem's 2011 audited accounts by:

- obtaining the total sales reports for chemical polymers, performance polymers and olefin departments within the Petrochemicals Division;
- summing the total sale values and volumes across these reports and reconciling this to the total sales of the Petrochemicals Division as reported in the audited accounts.

To verify that the Australian Sales spreadsheet represented a complete listing of LGI's export sales to Australia we examined LGI's sales ledger.

[Sales

reconciliation] This reconciled with LGI's income statement.

Having regard to the above, we are satisfied that the Domestic Sales and Australia Sales spreadsheets represent a complete listing of LG Chem and LGI's domestic and export sales of PVC to Australia during the investigation period.

5.5.3 Inland freight and export charges

We sought to confirm the inland freight and export charges including terminal handling and wharfage. LG Chem advised that it utilises related logistics companies to transport the goods from its factories to ert,

[Sales terms]

For all other transaction, polyand terminal handling costs were calculated together and included in the exposition es spreadsheet as part of ocean freight. The source document on distinguish between handling and ocean freight charges.

[De rmin tion I price

The Austran Sales spreadsheet was updated to reflect the above changes.

[Sales terms]

We further confirmed that the source documents for the selected transactions reconciled to the costs recorded in the Australian Sales spreadsheet.

5.6 The exporter

a) Direct exports:



On the basis of the above, for all direct export sales during the POI, we consider LG Chem to be the exporter of the goods because LG Chem:

- is the manufacturer of the goods;
- negotiates the price for the sale of the goods;
- owns the goods at the time prior to export;
- is listed as the supplier on the bill of lading;
- invoices Australian customers for the goods directly;
- arranges and pays inland transport costs from the place of manufacture and packaging to port of export;
- arranges and pays for other associated freight and in rance costs depending on the specific sales terms;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by hearingly placing the goods in the hands of a freightforwarder is delivery to Australia;
- sent the goods for export to Australia and ware ware of the identity of the purchaser of the goods; and
- received payment for the good from the imported rader.

b) Indirect exports

We also consider LG Cherto be the exporter for all indirect export sales to Australia via LGI and paffiliand traders because LG Chem:

- is the manufacturer of the good
- is the principal in the transaction located in the country of export from where the goods were bijoed:
- Recutes an inter-company transaction with respect of the pods for which parenent is made to LG Chem by LGI, an affiliated trader;
- Notwittestanding the above, LG Chem retains for all administration of the export of be goods to Australia pursuant to the terms of sale negotiated with the relevant importer.

5.7 The importer

We noted that LG Chem's customers:

- negotiate directly with LG Chem for the purchase of goods;
- are named as the consignee on the bill of lading;
- arrange customs clearance, quarantine, logistics, and, depending on the terms of sale as negotiated, overseas freight and storage of the goods after they have been delivered to the Australian port; and

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• take control of the goods on arrival and become the beneficial owner of the goods.

We consider that LG Chem's invoiced Australian customers are the beneficial owners of the goods at the time of importation and are therefore the importer of the goods exported by LG Chem during the POI.

5.8 Arms length transactions

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC, the legislation requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the rice paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the gos is other than price;
- the price is influenced by a commercial other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller;
- in the opinion of the Minister, the buyer, or a associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We found no evidence to suggest that the dices negotiated between LG Chem, its affiliated trade LGI, una filiated traders and Australian customer were influenced by any relationship of trangement, commercial or otherwise during the POI. We also did not find any evidence to indicate that any consideration, companies or the benefit passes between LG Chem and its customers in platic to the pools other than the price negotiated, reflected in executed sales a reenants and listed for payment in commercial invoices.

kport pice preliminary assessment

In the ase of direct suport sales to Australia by LG Chem, we consider:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter;
 and
- the purchases of the goods were arms length transactions.

Therefore, we consider that export price for direct export sales from LG Chem can be established under section 269TAB(1)(a) using the invoiced price less amounts for:

- ocean freight as appropriate;
- marine insurance as appropriate;

- bank charges;
- customs agents fees; and
- customs duty.

In respect of indirect export sales to Australia by LG Chem through LGI and unaffiliated traders, we consider that:

- that the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods were arms length transactions.

However, as the goods were not purchased by the importer on the exporter we consider that the export price for indirect export sales on LG Chem can be established under section 269TAB(1)(c).

For export sales made through unaffiliated intermedial es we have established export prices using LG Chem's invoiced price less amounts for:

- ocean freight as appropriate:
- marine insurance as appropriate;
- bank charges;
- customs agents fees; and
- customs duty.

For export sales made through LGI we save established export prices using LGI's invoiced price less amounts for:

- marine insulance insurance were allocated LGL ales other than LG Chem sales);
- LGI's selling, general and administrative expenses;
- mmis ions neurre by LGI;
- ban, charges incurred by LGI; and
- the cost of credit offered by LGI.

These deductions provided us with a price equivalent to LG Chem's invoice price, for which we then further deducted the specific post-exportation expenses incurred by LG Chem outlined above in order to determine the FOB export price for LG Chem.

Export price calculations are included at confidential appendix 1.

6 DOMESTIC SALES

6.1 General

In the domestic market, LG Chem identified two channels of distribution, being direct sales to affiliated customers and direct sales to unaffiliated customers.

[Customers] There was no evidence that the association between LG Chem and affiliated companies had influence the price.

We noted sales to related domestic parties accounted for \$\frac{1}{2}\%\$ of both total sales volume and value totals.

6.2 Domestic sales process

LG Chem's domestic sales process to customers is as follows:

LG Chem stated that the payment arms for all customers were 36 days in their initial question his resions. However at the verification visit the company advised that his effected the average credit terms over the investigation period and were subsequently provided with revised information so wing actual payment terms for each domestic customer.

6.3 Pri

LG Chemical discrete in its response to the exporter questionnaire that domestic selling price are determined

When negotiating prices the sales manager takes into account the cost of production and the market situation.

[Price determination]

We did not find any evidence contrary to this contention during verification.

6.3.1 Level of Trade

LG Chem stated in its response that there are two channels of sale for PVC products sold domestically. The channels of distribution are directly to either affiliated or non-affiliated customers

[Customer

information - level of tradel

We noted that during the investigation period that of the to a number of domestic sales.

6.4 Domestic Sales Verification

6.4.1 Accuracy

Based on an analysis of the domestic sales spreadsheet, we were satisfied with the accuracy of the transaction.

We selected 8 transactions from Appendix D-4 and requested the supporting documentation for verification as of line below

Export Involc	Product	invoice date

We requested the following documentation be provided for each transaction:

- Purchase order
- Order confirmation

- Commercial invoice
- Evidence of payment
- · Inland freight invoice and evidence of payment
- Discount and rebate source documents (where applicable)

Source documents for the 8 selected transactions were provided by the company at the verification visit and all figures were cross matched to the information provided in their questionnaire response. Documentation traced right through to the inland freight and delivery invoices and bank deposit showing payment. All were found to be accurate and complete.

Based on the information provided we are satisfied that the domestic sales volume and value in Appendix D-4, are accurate.

The sales documents form confidential attachment DOM

The domestic sales spreadsheet contained transactions to bot affiliated and non-related parties. Comparisons of unit salestigure were made etween the two types of customers and prices were fund to be consistent between them.

6.4.2 Completeness

The verification of the domestic dies spread beet upwards to audited accounts is outlined above at section 5.4.2.

6.5 Arms length rarisactions

In respect of LG Chem's mestic sales of the week, we found no evidence that:

- there is any condection tyable for or in respect of the goods other than their price; or
- the price is in luence by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; of
- buy, r, we substituent to the purchase or sale, directly or indirectly, be received, be impensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The company explained that despite an entity being a related party, they did not consider them any different to unrelated customers and negotiated prices in the same manner no matter who the customer was. This ensured that sales prices were similar across the board.

Our analysis of prices to affiliated and unaffiliated domestic customers showed only insignificant differences after taking into account the product group, This appears to be supported by the verified figures recorded in the questionnaire spreadsheet response.

We consider the domestic sales of PVC by LG Chem were arm's length transactions.

6.6 Ordinary course of trade

We compared the net invoice value for each domestic sale (of the four product groups exported to Australia) to the CTMS for the corresponding month.

For those individual sales found to be unprofitable, we then compared the net selling prices with the weighted average CTMS for the investigation period to determine whether the sales were recoverable within a reasonable period of time.

	3 2010 W P10 V	ides a summar	y or the coo	i dialysis.	
		[F	Profitability of	[sans]	
Product roup	Volume of domestic sale (MT)	Volume of unprofitable sales (MT)	% of unpre cable sales	folume of not recoverable sales	% or non- scoverable sales

Ordinary course of the de to the culations are at confidential appendix 2.

6.7 on me and surability of domestic sales

In relating the goods exported to Australia, the quantities of domestic sales of like goods sold in the ordinary course of trade was significantly greater than 5% of the volume of the PVC exported to Australia.

7 COST TO MAKE & SELL

7.1 Production process

LG Chem is a fully integrated producer of PVC with the manufacturing process consisting of various stages.

[Production | oces

7.2 Approach to verification

In its submission, LG Chem provided total and art cost calculations for PVC sold domestically and exported to Australia. The data was presented separately for each product code of PVC, and was backen into:

- materials costs VCM and ather
- direct labour costs;
- manufacturing overhead
- selling and administration evenses;
- finance expression
- delivery expenses

At the cutset be emphisised our requirement to reconcile the data to audited final call strengths and management reports, and also down to source documents.

7.3 Completeness of cost data

We explained that we required cost data that had been gathered from the company records that have been kept in accordance with the generally accepted accounting principles for Korea, and that the costs provided should reasonably reflect the costs associated with the production and sale of the goods.

We noted the LG Chem consolidated financial statements for 2011 contained the following statement within the report of independent auditors, Samil PricewaterhouseCoopers:

'In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of LG Chem, Ltd. As of December 31, 2011 and 2010, and its financial performance and cash

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flows for the years then ended in conformity with international financial reporting standards as adopted by the Republic of Korea.

We requested that the costs submitted for the purpose of this investigation can be reconciled to the company's audited financial statements. LG Chem demonstrated a reconciliation from its Audit report of 2011 to its SAP financial accounting system. In its SAP system, we were able to reconcile the value cost of goods sold (COGS) in the detailed income statement to the cost of sales shown in the income statement contained in their audited financial statements.

Using the companies 2011 trail balance, we were able to reconcile the value of COGS in the income statement to the total costs of production contained in SAP after adjusting for inventory movements, work in ogress and duty drawback. A manufacturing cost report in SAP was provided showing the total product cost for the company wide and for the various by ons with LG Chem. These included petrochemical, information to h, batter, new projects and energy.

We here alle to further drill down into this division to see the manufacturing costs. If the product groups within the division.

The costs for each product or perconded to the total costs for the petrochemical division.

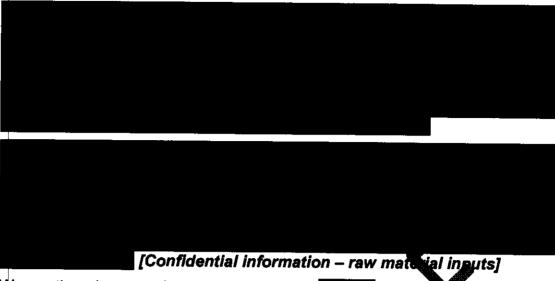
The goods under investigation fell ithin the PVC straight product group and we noted that these costs were gade up of costs from the company's Yeosu and Daesun manufacturing plants. A obtine summary report was provided showing a breakup of the sanufacturing costs for each of the PVC products produced at the two stats. The report is suded costs for the following items:

- VCM:
- other materials;
- labor, and
- manufacturing overheads.

Packing codes were to included but a separate report for these costs was provided sum of the total manufacturing and packing costs for each of the PVC products produced reconciled to the total manufacturing costs for PVC produced at the two production facilities. These total manufacturing costs were the basis for the costs included at appendix 10 of the questionnaire response.

We selected the model for detailed verification down to source documents for the month of August. We were provided with a production costing report for August 2011 with showed a summary of raw materials, labour and manufacturing overheads.

LG Chem explained that verification would require stepping through each stage of producing ethylene, EDC and VCM and that costs could be presented to reflect the transfer pricing of raw material inputs from one production stage to another or on an actual costing basis. The costs included in the exporter questionnaire responses were actual costs.



We continued our verification of the model and for the winth of August and the product costing sheet adequately identified by materia labour and other manufacturing overhead costs. For insour and materiacturing overheads, we were able to reconcile the amount through production records for the relevant cost centre which shows the otal amounts. Allocation of these costs was based on the actual about hours and machine hours used in producing the various adducts in the relevant production line in the given month.

For verification of raw materials, we explained to LG Chem that we would be focusing our attention on the key injures in each stage of production. This essentially related to the purchase of name in producing ethylene and the purchase of EDC in producing VCM.

Beginning at the crylere plant LG Chem provided a cost of manufacture report from its S.P. s. total. We noted that the naphtha represented approximately 6% or total cost of production and we selected to verify the purchase of naphting from relevant transactions, through to invoices and proof of payment. Of the large the factions that took place in August, we selected the largest and sought elevant documents showing the terms of the purchase and that the amount in piced is the amount paid. We were able to reconcile information om the surce documents through to the company's SAP cost of production eport.

A movement tedger for the produced ethylene was provided and we were able to track the output cost of ethylene to the corresponding input cost in the cost of productions reports for both EDC and VCM. We noted that in the manufacture of VCM, ethylene and EDC accounted

[Raw material inputs]

Once again we selected a number of transactions for the purchased EDC and were provided with commercial invoices from the Japanese supplier along with evidence of payment. The amounts on the invoiced reconciled to LG Chem's SAP costing reports.

LG Chem then provided movement ledgers showing the cost of manufacture of VCM reconciling to the input amount in the relevant movement ledger within the VCM plant. The output amounts were then tracked through to the input amounts in VCM movement ledger within the PVC plant. Finally the output amounts for the VCM cost from the movement ledger could be reconciled to the VCM costs reported in the PVC costing sheet for product

Copies of documents relevant to the calculation of the cost to make and sell are at confidential attachment CTMS 1.

The table below provides an outline of the structure used to construct a cost to make and sell for goods and like goods.

7.4 Selling, general and administration expenses

Unit selling, general and administration (SG&A) expenses was calculated by apportioning each of the total SG&A expenses acrost total cost of goods sold.

[Carulatio of SG&A]

Documents supporting the salculation of SG&A expenses form confidential attachment CTMS 2

7.5 **Profit**

We calculated that all ionatical lomestic sales of PVC by LG Chem achieved a weighted average profit (a) % (of the cost to make and sell) over the investigation period. We consider that the profit level achieved on these donestic sales is appropriate to use if normal values are to be constructed in accordance with paragraph 269TAC(2)(c) of the Act.

7.6 Conclusion

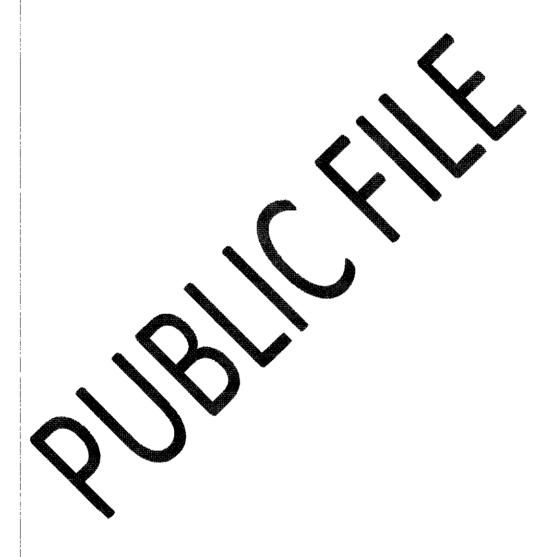
We were able to reconcile all relevant data provided to audited accounts and source documents. In doing so, we formed the view that the cost constructions contained in LG Chem's submission were an appropriate basis for the actual costs incurred in manufacturing the goods, apart from some minor amendments SG&A expenses.

In summary, sufficient information was obtained and verified to determine:

- a constructed normal value under section 269TAC(2)(c) of the Act for the investigation period; and
- the cost of goods to assess ordinary course of trade under section 269TAAD of the Act.

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The amended cost to make and sell spreadsheets form **confidential appendix 3**.



8 ADJUSTMENTS

We discussed with LG Chem a number of items that may require consideration in order to ensure the normal value is properly comparable to the export price.

8.1 Packing

As explained in the export and domestic sales sections of this report, PVC sold into both markets is packed in a variety of ways with each packing type having a separate associated cost. Therefore to ensure proper comparison, we consider that adjustment to domestic selling prices is warranted. We have made downward adjustments for actual packing costs incurred in each domestic transaction along with a corresponding upward a strength of the investigation period.

8.2 Inland freight

As explained earlier in the report, all domestic sale of PC by LG Chem are inclusive of delivery charges. Therefore, corder to dijust definestic selling prices to reflect a FOB price to be compared with export sales, we have deducted actual inland freight expenses curred on each domestic transaction. We have then made an apward adjustment for delivery expenses in transporting goods to the port of export using the reighted average inland freight cost over the investigation interred.

8.3 Terminal handling charges

LG Chem incurs expenses in exports related to port document fees, terminal handling charges are marfage. To ensure proper comparison with the export sales, we consider that an upward are street to domestic sales is warranted for these FOB plated by ensure.

8.4 👞 Crediterios

Export and a mestic pryment terms varied between customers and we have made a downward adjustment for domestic cost of credit and a corresponding upward adjustment in export cost of credit.



[Details of credit

terms offered to customers]

8.5 Duty drawback

In its questionnaire, LG Chem claimed an adjustment for duty drawback was warranted to ensure fair comparison between domestic and export sales. During the meeting, the company provided an overview of the operation of the

duty drawback system in Korea. The scheme provides for a refund of duty on imported inputs used in the production of goods that are subsequently exported. In large part the scheme in Korea operates like most other overseas schemes.



LG Chem provided source documents demonstrating the arount of imported materials and the amount of duty paid and the amount of duty refunded following applications for a drawback of those duties.

LG Chem proposed that the amount of the adjustment to the hismal value for duty drawback should reflect the notional cost of non-refunded day. This argument is based on the idea that the domestic sales persons are unaware of the additional refund of duties and set a comestic alling the that reflects the costs of production inclusive of the part of non-relanded duty. On the other hand, the export sales persons are fully acree of the additional refund of duties and do adjust their export prices to account by the drawback.

We do not agree with LG Chem's regument. The actual amount of imported duty that can be properly linked to the production of domestic PVC is the residual amount of non-refunded uties. We have quantified the amount of the downward adjustment by apportion a the esidual amount of duties across the total volume of domestic roduced VC.

8.6 Confusion

We consider the following adjustment to constructed selling prices, in accordance with 265 TAC() of the Act, is necessary to ensure a fair comparison with the poort, ce of the goods:

Adjustmen	Add to, or deduct from, domestic selling prices
Domestic acking expenses	deduct
Domestic in and freight expenses	deduct
Domestic cost of credit	deduct
Export packing expenses	add
Export inland freight expenses	add
Export FOB related expenses	add
Export cost of credit	add
Duty drawback	deduct

9 NORMAL VALUE

The relevant sales of PVC by LG Chem in the domestic market were found to be in transactions that were arms length, and at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily.

Based on the information provided by LG Chem, and the verification processes conducted on site, we are satisfied that prices paid in respect of those domestic sales of PVC are suitable for assessing normal value under s. 269TAC(1). We consider those domestic selling prices require adjustment in terms of s. 269TAC(8), to ensure fair comparison to the export prices, for the following:

- packing;
- inland freight;
- charges to FOB;
- credit terms, and
- duty drawback

Normal value calculations are at confidential appendix 4.

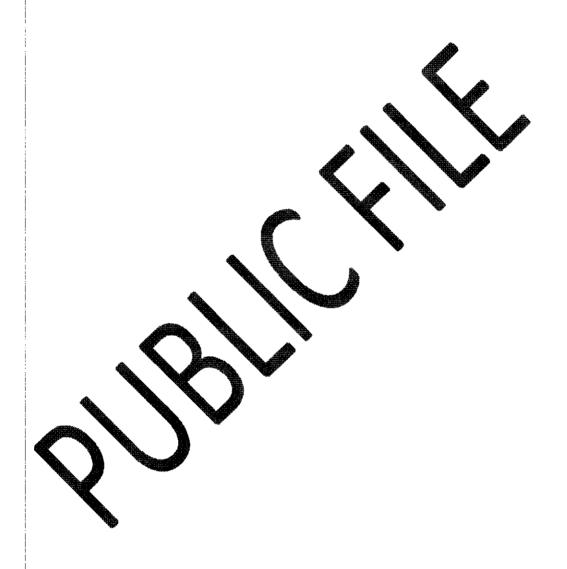
Should there be a need to consider an alternation to establishing normal values under s. 269TAC(1) we consider the cost to make and sell data, and the profit determined in a comparison of colts to prices, are suitable for constructing normal values under \$265 AC(2) c) of the Act.



10 DUMPING MARGINS

Dumping has been assessed by comparing the weighted average of export prices to a corresponding weighted average of normal values for the investigation period. The dumping margin for the investigation period is 2,35%.

The dumping margins are shown at confidential appendix 5.



11 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export price calculations
Confidential appendix 2	Ordinary course of trade calculations
Confidential appendix 3	CTMS worksheet
Confidential appendix 4	Normal value calculations
Confidential appendix 5	Dumping margins calculations
Confidential attachment GEN 1	LG Chem organisational structure
Confidential attachment GEN 2	LG International organisational structure
Confidential attachment GEN 3	LG Chem's PVC product list
Confidential attachment GEN 4	LG Chem's 2011 consolidated ancial statements
Confidential attachment GEN 5	LG International's consolidated films: statements
Confidential attachment EXP 1	Error and correction list
Confidential attachment EXP 2	Export sales source of sumer
Confidential attachment EXP 3	LG Chem's lip boy line sales of C C f POI
Confidential attachment EXP 4	
Confidential attachment DOM 1	Dor stic sales source locuments
Confidential attachment CTMS 1	Documents relating to calculation of cost to make and sell
Confidential attachment CTMS 2	ocure ats relating to calculation of SG&A expenses