



28 January 2015

The Director
Operations 4
Anti-Dumping Commission
5 Constitution Avenue
Canberra ACT 2601

Review 248: PanAsia and OPAL REQs

This submission is made on behalf of Capral Limited, a member of the Australian aluminium extrusions industry, in relation to Review 248 of certain aluminium extrusions exported to Australia from China. We specifically refer to the responses to the exporter questionnaire (REQs) provided by PanAsia Aluminium (China) Limited (PanAsia) and OPAL (Macao Commercial Offshore) Limited (OPAL).

Company structure and ownership

PanAsia claims confidentiality over details of its ownership structure, yet these details are freely available, since PanAsia is a fully owned subsidiary of PanAsialum Holdings Company Limited (PanAsialum), which is listed on the Hong Kong stock exchange. We understand the ownership structure of PanAsialum to be as shown in the chart at **Attachment A**. PanAsialum's most recent annual report confirms that PanAsia is still a 100% owned subsidiary of PanAsialum (see extract at **Attachment B**). It has to be questioned why PanAsia has sought to hide publicly available details of its operations from interested parties in this review.

Of more concern is the recent announcement by PanAsialum of irregularities in its financial accounts, which are detailed in a statement to the Hong Kong stock exchange at **Attachment C**. In the process of auditing the consolidated PanAsialum group's accounts for the financial year ended 30 September 2014 (which includes half of the review period) the company's auditor has found problems in the following three areas that impact directly on the information presented by PanAsia in the REQ.

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Raw materials procurement – the auditor has found ‘discrepancies’ on inventory receipt records in relation to the purchase of raw materials. Such discrepancies render the cost to make and sell (CTMS) data provided by PanAsia unreliable.

Certain expenses – the auditor has concerns with the details and supporting documents in relation to certain expenses. Such concerns also render the CTMS data provided by PanAsia unreliable.

Relationship with Australian customers – the auditor has concerns about the relationship between the PanAsialum group and ‘certain Australian customers’. To our knowledge the only Australian customers of the PanAsialum group are the five companies that were subject of the recent anti-circumvention inquiry (Inquiry 241). During that inquiry we submitted evidence of linkages between those five companies to support our claim that the Commission should treat them as a single entity.¹ That evidence also suggests that there are ongoing linkages between PanAsia/PanAsialum and those five companies. Concerns over these relationships render the selling prices between PanAsia and its Australian customers unreliable for the purposes of establishing export price.

An ‘independent professional advisor’ has been called in to investigate the matters described above and trading in PanAsialum shares has been suspended until release of the 2014 audited results. This is an extremely serious development and the Commission must not rely on any financial information provided by PanAsia while such significant concerns remain unresolved.

Export price

New export prices for PanAsia’s exports to Australia are expected as a result of the Minister’s decision following Inquiry 241. Unfortunately the outcome of Inquiry 241 is not yet known, however we note the statement in the issues paper published by the Commission towards the end of the inquiry that export price will be calculated under s.269TAB(1)(b) of the Act using the deductive export price method. We wonder whether export price was in the end able to be established under that provision given the limited amount of cooperation the Commission received from all of the importers, as detailed in our submission on the issue at the time.²

Based on the limited cooperation received from PanAsia’s Australian customers during Inquiry 241 and the concerns over the relationship between PanAsia and those customers as outlined earlier, we submit that sufficient information is not available to establish export price under s.269TAB(1) and export price can only be determined under s.269TAB(3) having regard to all relevant information.

¹ Confidential Attachments A and B to Capral submission on treatment of the importers, 10 July 2014 (EPR 241, item 13)

² Capral submission in response to importer visit reports, 9 October 2014 (EPR 241, item 32)

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Cost to make and sell

There is very little detail in the REQ to allow interested parties to comment on the costing information provided by PanAsia. Regardless, the revelations of the auditor detailed earlier in relation to the financial accounts of the PanAsialum group of companies, which includes PanAsia, render the CTMS data from PanAsia's financial accounting system unreliable for the purposes of determining normal value. We therefore submit that normal value can only be determined under s.269TAC(6) having regard to all relevant information.

However, in the event the Commission seeks to verify PanAsia's CTMS data, we would like to ensure that the following elements are adequately covered during the verification visit to PanAsia:

- verification of production records and wastage factors to ensure the metal cost per unit of output is reliable³
- verification that the cost of developing new profiles and the cost of dies have been allocated to the goods and the allocations are reasonable⁴
- verification that the powder coating costs attributed to the goods exported to Australia are specific to those goods and not an average of all powder coating costs⁵
- verification that the packaging costs attributed to the goods exported to Australia are specific to those goods and not an average of all packaging costs⁶
- inclusion of financing costs for raw materials in the CTMS,⁷ and
- investigation of the functions and accounts of PanAsialum and other companies in the PanAsialum group to ensure all relevant costs are included in the CTMS.⁸

Countervailable subsidies

In the original investigation PanAsia was found only to have received one countervailable subsidy as follows:

- Program 15: Primary aluminium for less than adequate remuneration.

³ Capral submission on the primary aluminium benchmark dated 30 August 2015 refers.

⁴ OPAL provides no explanation of how sales of new products are negotiated, ie how technical specifications are drafted and how the cost of producing new dies is factored into the price.

⁵ We understand that the powder coating required for goods exported to Australia may be of a different standard (and higher cost) to the powder coating for the domestic market.

⁶ PanAsia's response to questions E-1.4 and E-2.7 are heavily redacted, however it is common that there are different costs associated with packing extrusions for domestic or export markets.

⁷ PanAsialum states in its 2013 prospectus (at p.139) that "We generally maintain a supply of aluminum ingots sufficient for one month of production. We are generally granted a seven-day credit period from our aluminum ingot suppliers. Since this is shorter than the credit terms we generally grant to our customers, particularly our major customers, we have utilized a revolving 120-day short-term trade loan facility to finance our purchases of aluminum ingots."

⁸ PanAsia claims that it has no management fees or corporate allocation from parent or related companies, however costs incurred by such companies may be relevant to the CTMS the goods.

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In this review PanAsia has claimed that it is in receipt of no additional subsidies, however we note that the other three exporters selected for investigation in this review have all declared receiving benefits from various subsidy programs. In light of this we question PanAsia's claim in respect of countervailable subsidies and make the following comments on PanAsia's REQ.

Part I-1 Preferential income tax programs

PanAsia claims that it did not receive a benefit under any of the listed programs during the review period. The Commission should ensure that PanAsia in fact paid income tax at the standard rate of 25% during the review period and did not receive a benefit under any of the preferential income tax programs.

Part I-2 Grants and preferential policies

All of the other selected exporters have admitted to receiving benefits under multiple grant programs and many of these grants appear to be issued by the provincial government of Guangdong. PanAsia is also located in Guangdong and conducts the exact same business as the other exporters, yet PanAsia claims it has received no benefit from grants or similar programs. PanAsia's claim also appears to contradict information contained in PanAsialum's 2013 prospectus and March 2014 interim accounts.

In its 2013 prospectus PanAsialum claimed that it received other income primarily from a grant it received from the Zengcheng government recognising it as an advanced technology enterprise (see extract at **Attachment D**). Zengcheng is a district of Guangzhou in Guangdong province and we note that PanAsia is located in Zengcheng, therefore it is highly likely that this grant is related to the operations of PanAsia.

In its interim accounts for the six months ending March 2014, which is the second half of the review period, PanAsialum notes that it received a government grant of HK\$133.2M for development of a high technology enterprise in Nanyang City (see extract at **Attachment E**).

It appears that PanAsia may not have disclosed benefits from government grants in its REQ and the Commission must ensure that potential benefits received by PanAsia from grants and similar programs are fully investigated.

Part I-3 Tariff and VAT exemptions on imported materials and equipment

PanAsia claims that it has not received any benefits under this program at all during the period from 2005 to 2014. This seems unlikely, as it is a commonly used program by all manufacturers in China. During the original investigation the other three selected exporters (Kam Kiu, Tai Ao and Zhongya) were all found to have received benefits under this program and in the US investigation Guang Ya was also found to have benefited from this program.

In its 2013 prospectus PanAsialum listed its extensive equipment inventory, including 22 aluminium extrusion presses, and claimed that its production facilities include equipment and machinery manufactured in the United States,

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Japan, Germany, Italy and Switzerland (see extract at **Attachment F**). The Commission must establish the provenance of the equipment used to manufacture the goods exported to Australia. If the goods are manufactured using any imported equipment, it is highly likely that PanAsia has claimed tariff and VAT exemptions on this equipment and the goods have benefited from this program.

Part I-4 Aluminium provided by government at less than fair market value

PanAsia is already subject to countervailing duty under Program 15 in relation to primary aluminium purchased from SOEs during the original investigation period,⁹ however PanAsia claims that this program is no longer applicable because its purchase price of primary aluminium was higher than the LME price.

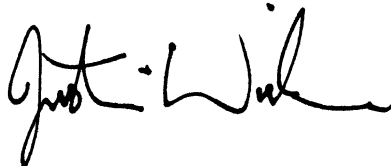
We have made a separate submission on the appropriate benchmark to determine whether a benefit has been received under this program during the review period.¹⁰ It is up to the Commission to determine whether this program is still applicable to PanAsia. It is therefore imperative that the Commission fully verify PanAsia's purchases of primary aluminium during the review period.

Part I-6 Preferential loans

PanAsia claims it has not had any loans from policy banks or SOCBs since 2005. This seems difficult to believe. According to its most recent audited accounts, PanAsialum had borrowings of over HK\$499M (see extract at **Attachment G**). PanAsia must provide detailed information in relation to these borrowings and the Commission must ensure that loans used to fund any aspect of PanAsia's business are attributed to the goods exported to Australia under this program.

Part I-7 Provision of goods programs

PanAsia claims that it did not receive any benefit under any of these programs. However, it is up to the Commission to determine whether the provision of land use rights, electricity, water, natural gas or heavy oil to PanAsia meets the definition of a countervailable subsidy and whether any benefit was conferred to PanAsia, based on information gathered from multiple sources. It is therefore imperative that PanAsia provide detailed information on all of its supplies of these goods and other relevant information including the area of land occupied by PanAsia and utilities usage, and that the Commission verifies this information.



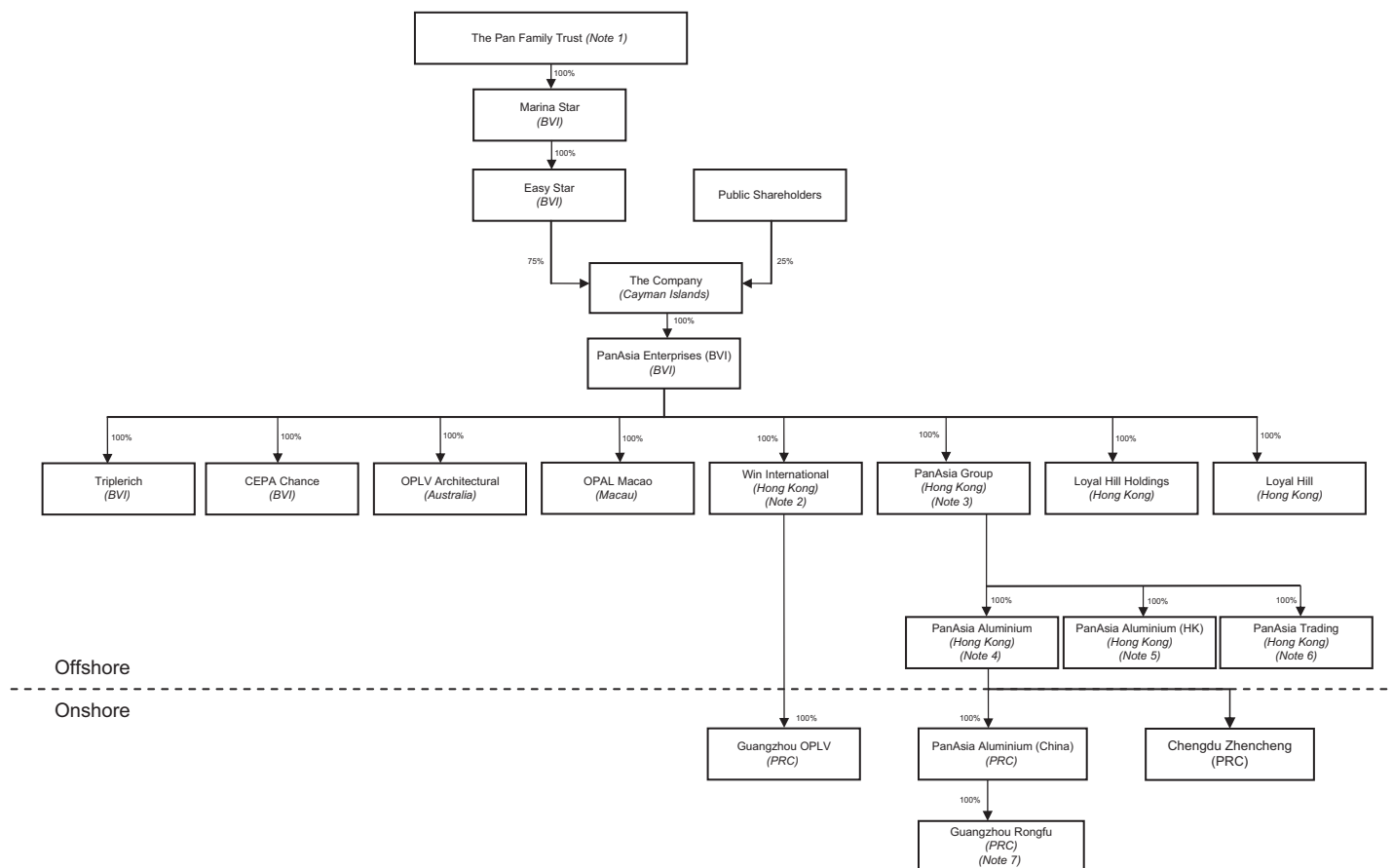
Justin Wickes
Director

⁹ Customs and Border Protection 'Review of preliminary dumping and subsidy margins for exporters selected for further investigation' dated 21 January 2010 refers.

¹⁰ Capral submission on the primary aluminium benchmark dated 30 August 2015 refers.

PanAsialum corporate structure

Source: PanAsialum Holdings Company Limited Global Offering, 23 January 2013, p.103



PanAsialum corporate holdings

Source: PanAsialum Holdings Company Limited Annual Report 2013, p.82

20 Investments in Subsidiaries (Continued)

(c) Particulars of subsidiaries

The following is a list of the principal subsidiaries at 30 September 2013:

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest	Principal activities and place of operations
PanAsia Aluminium (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100% (indirect)	Trading of aluminium products/ Hong Kong
PanAsia Aluminium Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100% (indirect)	Investment holding and provision of management services/ Hong Kong
PanAsia Trading Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100% (indirect)	Trading of aluminium products/ Hong Kong
OPAL (Macao Commercial Offshore) Limited	Macao	Registered capital of MOP1,000,000	100% (indirect)	Trading of aluminium products/ Macao
榮陽鋁業(中國)有限公司 ("PanAsia Aluminium (China) Co., Ltd.") [#]	The PRC	Registered capital of US\$76,800,000 and paid-up capital of US\$76,800,000	100% (indirect)	Manufacturing and trading of aluminium products/the PRC
廣州澳普利發門窗系統有限公司 ("Guangzhou OPLV Doors and Windows Systems Co., Ltd.") [#]	The PRC	Registered capital of US\$20,000,000 and paid-up capital of US\$20,000,000	100% (indirect)	Processing and trading of windows and doors system/ the PRC
廣州榮富電子科技有限公司 ("Guangzhou Rongfu Electronics Technology Co. Ltd.") [#]	The PRC	Registered capital of RMB10,000,000 and paid up capital of RMB10,000,000	100% (indirect)	Manufacturing, developing and trading of electronics products and computer parts/the PRC
PanAsia Enterprises Group Limited	The British Virgin Islands (the "BVI")	2 ordinary shares of US\$1 each	100% (direct)	Investment holding
Cepa Chance Investments Limited	The BVI	1 ordinary share of US\$1 each	100% (indirect)	Trading of aluminium products/ Macao
Loyal Hill (Holdings) Limited	Hong Kong	1 ordinary share of HK\$1 each	100% (indirect)	Inactive
Loyal Hill Limited	Hong Kong	1 ordinary share of HK\$1 each	100% (indirect)	Inactive
OPLV Architectural Design Pty Ltd	Australia	100 ordinary shares of AUD1 each	100% (indirect)	Inactive
PanAsia Group Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100% (indirect)	Investment holding
Triplerich Associates Limited	The BVI	1 ordinary share of US\$1 each	100% (indirect)	Holding of trademarks
Win International Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100% (indirect)	Investment holding
成都珍誠貿易有限公司 ("Chengdu Zhencheng Trading Co., Ltd.") [#]	The PRC	Registered capital of HK\$10,000,000, and paid up capital of HK\$2,000,000	100% (indirect)	After sales services/the PRC

[#] The English names of certain subsidiaries referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

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PanAsialum Holdings Company Limited
榮陽實業集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2078)

**DELAY IN PUBLICATION OF
THE 2014 ANNUAL RESULTS ANNOUNCEMENT
AND
SUSPENSION OF TRADING**

Delay in Publication of the 2014 Annual Results Announcement

The board (the “**Board**”) of directors (the “**Directors**”) of PanAsialum Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that as additional time is required by the Company to collate and gather further information in relation to certain matters raised by the auditor of the Company (the “**Auditor**”) so as to enable them to complete the audit (the “**Audit**”) of the consolidated results of the Group for the year ended 30 September 2014 (the “**2014 Audited Results**”), the Company expects that it will not be able to publish the 2014 Audited Results on or before 31 December 2014. As a result, the date of the meeting of the Board for the purposes of, among other things, considering and approving the 2014 Audited Results has not been fixed as at the date of this announcement.

Upon the recommendation of the Auditor, the Board has resolved to appoint an independent professional advisor to investigate into matters raised by the Auditor (the “**Investigations**”), including but are not limited to, (1) the transactions with a contractor for the construction of the Group’s new manufacturing facility in Nanyang, the People’s Republic of China; (2) the discrepancies found on certain of the Group’s inventory receipt records in relation to the Group’s raw materials procurement; (3) the relationship between the Group and certain Australian customers; and (4) details and supporting documents on certain expenses. The Board has established an independent committee, comprising two independent non-executive Directors, to supervise and oversee the Investigations.

Pursuant to Rule 13.49(1) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company is required to publish the 2014 Audited Results on or before 31 December 2014. The Board acknowledges that the possible delay in the publication of the 2014 Audited Results will constitute a non-compliance of Rule 13.49(1) of the Listing Rules.

The Company will publish further announcement(s) to inform the shareholders of the Company of the date of the Board meeting to approve the 2014 Audited Results and the release of the 2014 Audited Results or any update information as and when appropriate.

Suspension of Trading

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 17 December 2014 pending the release by the Company of this announcement. Trading in the shares of the Company will remain suspended until the publication of the 2014 Audited Results.

By Order of the Board
PanAsialum Holdings Company Limited
Shao Liyu
Chairman

Hong Kong, 19 December 2014

As at the date of this announcement, our executive Directors are Ms. Shao Liyu (formerly known as Ms. Shao Lidan), Ms. Ng Bonnie Po Ling, Mr. Liu Hoi Keung and Mr. Xing Hui Min, our non-executive Director is Mr. Lee Hui Fu, and our independent non-executive Directors are Mr. Tsang Wah Kwong and Mr. Cheung Chun Sing Horatio.

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Attachment D

PanAsialum other income 2010-2012

Source: PanAsialum Holdings Company Limited Global Offering, 23 January 2013, p.180 & p.186

Combined Statements of Comprehensive Income

The table below summarizes our combined results for the years ended September 30, 2010, 2011 and 2012.

	Year ended September 30,		
	2010	2011	2012
	(HK\$ in millions)		
Revenue	1,366.9	2,090.6	2,437.0
Cost of sales	(1,075.0)	(1,585.9)	(1,822.1)
Gross profit	291.9	504.7	614.9
Distribution and selling expenses	(115.6)	(89.3)	(102.6)
Administrative expenses	(80.1)	(82.3)	(138.7)
Other income	7.0	7.8	4.0
Other gains/(losses)—net	5.7	(45.2)	27.2
Operating profit	108.9	295.7	404.8
Finance income	0.2	0.2	0.2
Finance costs	(14.1)	(21.5)	(25.7)
Finance costs—net	(13.9)	(21.3)	(25.5)
Profit before income tax	94.9	274.4	379.3
Income tax expense	(8.2)	(14.1)	(22.2)
Profit for the year/period	86.7	260.3	357.1
Other comprehensive income			
Currency translation differences	(5.5)	9.6	0.5
Total comprehensive income for the year	81.2	269.9	357.6
Profit attributable to:			
Equity holders of the Company	86.7	260.3	357.1
Total comprehensive income attributable to:			
Equity holders of the Company	81.2	269.9	357.6

Other Income

Our other income primarily consists of (i) a grant we received from the Zengcheng government recognizing us as an advanced-technology enterprise; (ii) license fee income from one of our major customers in Australia and former subsidiary, P & O Group, for continuing to use our trade name “PanAsia” for a period after we disposed of our interests in December 2009 (see “Business—Our Products—Construction and Industrial Products—Relationship with P & O Group and Oceanic—Continuing trade relationship” on page 120 of this prospectus); (iii) the forfeiture of a customer’s deposit upon expiration of the relevant contract; and (iv) interest income on overdue trade receivables from P & O Group (see “—Current Assets and Current Liabilities Analysis—Trade Receivables - Net” below).

PanAsialum other income 2014

Source: PanAsialum Holdings Company Limited interim accounts for period ending March 2014, p.29

OTHER INCOME

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Government grant (Note)	133,220	—
Insurance claim	799	—
Forfeiture of customer deposits	1,549	150
Others	241	985
	<u>135,809</u>	<u>1,135</u>

Note:

Government grant amounting to HK\$133,220,000 (RMB104,604,000) represented incentive receivable from Wolong District Government in accordance with the supportive preferential policy pursuant to the Investment Agreement (Note 2) for the Group's development of high technology enterprise in the Wolong District in Nanyang City. HK\$48,200,000 (RMB37,797,000) of such grant has been received in April 2014.

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Attachment F

PanAsialum production equipment

Source: PanAsialum Holdings Company Limited Global Offering, 23 January 2013, p.124-125

<u>Production equipment</u>	<u>Number of units</u>	<u>Total capacity⁽¹⁾</u>	<u>Approximate utilization rate during the Track Record Period⁽²⁾</u>
		<u>(MT)</u>	<u>(%)</u>
Smelting furnace	7	114,885	95
Casting machinery	4	114,885	95
Oxidization tanks	13	25,000	43
Aging furnace	14	108,000	78
Aluminum extrusion press	22	108,000	84
Profile shaping machinery	5	10,000	77
Oil-coating line	1	5,000	56
Powder-coating line	3	15,000	93
Chromium line	1	20,400	84
Polishing machinery	2	2,000	36
Precision saw line	22	52,000	68
Hole punching and bending post-processing line	32	6,000	65
Welding line	13	5,900	51
Fencing machinery ⁽³⁾	2	3,000	33

Notes:

(1) Calculated as the maximum processing capacity on the basis of 22 hours a day (two worker shifts), 26 days a month.

(2) Equals total actual production volume divided by total capacity.

(3) The utilization rate of our fencing machinery is relatively low as orders requiring use of this specialized machinery are relatively infrequent.

Our production facilities include production equipment and machinery manufactured in the United States, Japan, Germany, Italy and Switzerland as well as those in China. As part of our R&D efforts, our technicians continuously seek to make improvements to our facilities and our production processes in order to enhance production capacity and efficiency. We monitor and assess the capacity and utilization of our various production equipment on an ongoing basis and may decide to develop additional capacity to prevent constraints in any particular production procedure. There were no material production constraints due to the capacity of particular equipment during the Track Record Period.

PanAsialum corporate holdings

Source: PanAsialum Holdings Company Limited Annual Report 2013, p.37

Consolidated Statement of Financial Position

As at 30 September 2013

	Notes	2013 HK\$'000	2012 HK\$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion	18	988	–
		988	–
Current liabilities			
Trade payables	19	103,155	105,067
Other payables and accrued charges	19	149,627	146,039
Derivative financial instruments	13	3,549	340
Borrowings	17	499,368	602,084
Obligations under finance leases – current portion	18	283	409
Dividends payable		2	86,000
Current income tax liabilities		6,231	57,246
		762,215	997,185
Total liabilities		763,203	997,185
Total equity and liabilities		2,555,957	1,733,140
Net current assets		1,267,675	310,203
Total assets less current liabilities		1,793,742	735,955

See Note 17 to the audited accounts for more details of the borrowings.