



**ANTI-CIRCUMVENTION INQUIRY 447**

**CERTAIN ALUMINIUM EXTRUSIONS  
EXPORTED THROUGH ONE OR MORE THIRD COUNTRIES  
FROM  
THE PEOPLE'S REPUBLIC OF CHINA**

**VISIT REPORT - EXPORTER**

**PRESS METAL BERHAD**

**August 2018**

**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 THE ANTI-DUMPING COMMISSION**

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## **1 BACKGROUND AND APPROACH**

### **1.1 Background**

On 18 September 2017, Capral Limited (Capral), an Australian industry member, lodged an application requesting the conduct of an anti-circumvention inquiry into the circumvention of measures applying to certain aluminium extrusions (the goods) exported to Australia from the People's Republic of China (China).

Capral claims that it is appropriate to alter the dumping duty notice and countervailing duty notice (the notices) because circumvention activities, in the form of export of the goods through one or more third countries, within the meaning of subsection 269ZDBB(4) of the *Customs Act 1901* (the Act) have occurred. Specifically, Capral claims that the goods are exported to Australia from China through one or more third countries including, but not necessarily limited to, Indonesia, Malaysia, the Philippines and Thailand.

On 16 October 2017, the Commissioner of the Anti-Dumping Commission (the Commissioner and the Commission respectively) announced the initiation of Anti-Circumvention Inquiry 447 in *Anti-Dumping Notice 2017/137*.

The inquiry examines whether exporters of certain aluminium extrusions from China have engaged in the circumvention activity as outlined in section 269ZDBB by way of exporting the goods to Australia from China through one or more third countries.

For the purposes of the inquiry, the inquiry period to determine whether circumvention activities have occurred is from 1 January 2015.

### **1.2 Press Metal Berhad**

Following the initiation, the Commission wrote to Press Metal Berhad (PMB) inviting it to cooperate with the inquiry. PMB has cooperated and provided a completed exporter questionnaire response (REQ) and relevant attachments.

The visit to PMB by the Commission was conducted to determine whether evidence exists to support assertions that it had engaged in the exportation of aluminium extrusions produced in China to Australia via Malaysia.

### **1.3 Verification approach**

The Commission's verification team analysed PMB's production, purchases and sales volumes of aluminium extrusions and of aluminium billet from which extrusions are made.

The verification team considers that should sales of aluminium extrusions exceed production and inventory, a portion of aluminium extrusions in respect of sales are sourced elsewhere. As such, to determine whether PMB had exported aluminium extrusions manufactured in China to Australia through Malaysia, it was necessary to quantify PMB's sales, production, purchases and stock of aluminium extrusions over the inquiry period.

The verification team also considers that should production and inventory of aluminium extrusions exceed production, purchases, consumption and sales of aluminium billet,<sup>1</sup> (less wastage), a portion of aluminium extrusions are sourced elsewhere. Therefore, quantification of aluminium billet was merited.

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<sup>1</sup> Aluminium extrusions are made from aluminium billet. The correlation between the quantity of billet available and the quantity of extrusions produced provides information to verify production levels of aluminium extrusions.

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It was also necessary to understand other factors concerning PMB's related entities, Press Metal International Limited (China) (PMI) and Press Metal Aluminium Australia Pty Ltd (PMAA) as set out below:

- in respect of PMI, it was necessary to determine PMI's precise exports of aluminium extrusions in volume terms to Malaysia and Australia over the inquiry period; and
- in respect of PMAA, it was necessary to determine details of purchases of aluminium extrusions.

Entities associated with PMB are described more comprehensively at section 3 of this verification report.

Reports on verification visits to PMI and PMAA are on the public record.

## 2 THE GOODS

### 2.1 Description

The goods that are the subject of the notices and the anti-circumvention inquiry are:

*Aluminium extrusions produced via an extrusion process, of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents), with the finish being extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5mm, with a maximum weight per meter of 27 kilograms and a profile of cross-section which fits within a circle having a diameter of 421 mm.*

Table 1 provides examples of the coverage of the goods and like goods (and intended end-use applications). Examples of the goods and like goods are outlined in columns 1 to 4 and non-subject goods are outlined in columns 5 to 7.

< GUC >				< Non GUC >		
1	2	3	4	5	6	7
Aluminium extrusions	Aluminium extrusions with minor working	Aluminium extrusions that are parts intended for use in intermediate or finished products	Aluminium extrusions that are themselves finished products	Unassembled products containing aluminium extrusions, e.g. 'kits' that at time of import comprise all necessary parts to assemble finished goods	Intermediate or partly assembled products containing aluminium extrusions	Fully assembled finished products containing aluminium extrusions
<b>&lt; Examples &gt;</b>						
Mill finish, painted, powder coated, anodised, or otherwise coated aluminium extrusions	Precision cut, machined, punched or drilled aluminium extrusions	Aluminium extrusions designed for use in a door or window	Carpet liner, fence posts, heat sinks	Shower frame kits, window kits, unassembled unitised curtain walls	Unglazed window or door frames	Windows, doors

Table 1 - The goods and like goods

### 2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

<b>Tariff code</b>	<b>Statistical code</b>	<b>Description</b>
7604.10.00	06	Non alloyed aluminium bars, rods and profiles
7604.21.00	07	Aluminium alloy hollow angles and other shapes
7604.21.00	08	Aluminium alloy hollow profiles
7604.29.00	09	Aluminium alloy non hollow angles and other shapes
7604.29.00	10	Aluminium alloy non hollow profiles
7608.10.00	09	Non alloyed aluminium tubes and pipes
7608.20.00	10	Aluminium alloy tubes and pipes
7610.10.00	12	Doors, windows and their frames and thresholds for doors

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<i>Tariff code</i>	<i>Statistical code</i>	<i>Description</i>
7610.90.00	13	Other

Table 2 - Tariff classifications of the goods

### **3 THE PRESS METAL GROUP**

According to the Press Metal Berhad (PMB) *2016 Annual Report*, there are several entities within the Press Metal Group. The entities of most relevance to this inquiry are:

- PMB, which:
  - is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad;
  - owns various subsidiaries including but not limited to Press Metal International Ltd (PMI), Press Metal (HK) Limited; PMAA, Press Metal UK Limited (PM UK) and Press Metal North America Inc. (PM USA);
  - owns part shares in aluminium smelter companies in Malaysia; and
  - has an extrusion capacity of 40,000 tonnes per year at its plant in Kapar, Selangor in Malaysia;
- PMI, which:
  - is a manufacturer and trader of aluminium products located in Guangzhou, China;
  - is 100 per cent owned by Press Metal (HK) Limited which is an investment holding that is 100 per cent owned by PMB; and
  - has an extrusion capacity of 120,000 tonnes per year;
- Hubei Press Metal Huasheng Aluminium & Electric Co. Ltd which:
  - is an investment holding that is 100 per cent owned by PMB; and
  - owns 100 per cent of a dormant company: Press Metal International (Hubei) Ltd (PM Hubei);
- PMAA, which targets the Australian market;
- Press Metal UK, which targets the European region; and
- Press Metal North America Inc, which targets the American region including Brazil and Mexico.

PMAA commenced operating in the early 2000s. Until 2006, PMAA sourced aluminium extrusions from PMB. From around 2006 to 2008, PMAA sourced aluminium extrusions from PMI. From around 2008 to 2010 PMAA sourced aluminium extrusions from PM Hubei and PMI. In 2010, PMAA started sourcing aluminium extrusions from PMB.

In respect of the goods previously sourced by PMAA from PM Hubei, dies were either shipped to PMB or re-made by PMB. The respective die numbers and product codes from PM Hubei were maintained and are identifiable by the prefix 'PMH'.

PMI commenced operating in 2006. PM Hubei experienced reduced demand with an annual production capacity exceeding its annual production levels. Productivity improvements at PMI resulted in increased capacity and allowed it to supply Hubei's customers. In 2015, production ceased at PM Hubei. Currently the land, buildings and machinery are for sale.

PMB has a marketing branch located in Johor Bahru which it refers to as 'JB'. JB services markets in the south of Malaysia and in Singapore. JB is a significant user of aluminium

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extrusions made by PMB. JB purchases aluminium extrusions from both PMB and PMI and acts as if it does so on an arm's length basis.

Another listed company, PMB Technology Bhd, has directors and shareholders common to PMB, but is not considered a part of PMB. PMB Technology Bhd is involved in marketing aluminium extrusions and is a customer of both PMB and PMI through its various associated branches and Malaysian entities which are referred to by PMB as follows:

- PMB Central;
- PMB Eastern
- PMB Northern;
- Everlast; and
- PMB Façade Technology.



## **4 THE GOODS AND LIKE GOODS**

Throughout the inquiry period, PMB sold aluminium extrusions of varying lengths, wall thicknesses, sizes, temper grades, profiles and surface finishes to customers in Malaysia, Australia and other countries.

The verification toured the factory and warehouse to inspect production, storage and despatch of aluminium extrusions.

### **4.1 Factory tour**

During a tour of PMB's factory, the verification team observed aluminium extrusions being produced on several presses and at various stages of the production process.

The verification team also observed the production of billet and the storage and handling of scrap and ingot used in billet production

On the basis of the observations made during the factory tour, the verification team was satisfied that PMB produces the goods.

### **4.2 Warehouse tour**

During a tour of PMB's warehouse and despatch area, the verification team observed aluminium extrusions being packaged, labelled and stored ready for despatch and interviewed the relevant supervisor in that area. He stated and demonstrated the following:

- all packages for export were 550mm wide with hardwood packaging, plastic and cardboard;
- the stillages upon which packages are loaded for containerisation are 2.2 metres wide and fit well in containers. The respective widths of the packages and of the stillages allow four packages to fit across a stillage. The packages were of different heights and lengths depending on the dimensions of aluminium extrusions they contained;
- fumigation stamps are affixed prior to containerisation by an external party who is approved by the Malaysian Government;
- hand written labels in English are temporarily applied after the goods are packaged. A computer generated label is put on immediately prior to containerisation and replaces the hand written label; and
- there was only dispatch of aluminium extrusions and no receipt of aluminium extrusions from anywhere in the factory visited.

The verification team did not find evidence of aluminium extrusions in stock or for despatch that may be identified as being produced in China.

The verification team visited the area where goods such as purchased billet are received and did not find evidence of aluminium extrusions that may be identified as being produced in China.

PMB explained that when existing or potential PMAA customers request a visit to the Malaysian facility, they are guided through the same factory as the verification team had attended. The verification team witnessed the conduct of such a tour during its visit to PMB.

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### **4.3 Like goods sold by Press Metal Berhad**

During the inquiry period, PMB also sold aluminium extrusions to domestic customers in varying lengths, wall thicknesses, sizes, temper grades and profiles. PMB sold extrusions in mill, anodised and powder-coated finishes on the domestic market.

The verification team considers that the goods manufactured by PMB for domestic consumption are identical to, or have characteristics closely resembling, the goods PMB exported to Australia, as they:

- have similar physical characteristics;
- are commercially alike;
- are functionally alike; and
- are produced at the same facility with the same raw material inputs and manufacturing processes.

**5 BILLET PRODUCTION, PURCHASES, BILLET SALES, EXTRUSION PRODUCTION, PURCHASES, EXTRUSION SALES**

The verification team verified the volumes of billet stocks. That is; opening stock, billet purchases, billet sales, billet transfers, billet production and billet closing stock for the years 2015, 2016 and 2017 for the entire group and determined the volume of billets that were available to be used in the extrusion process after accounting for wastage.

The billet figures were verified using PMB's *SAP* accounting system and the management accounts of PMB.

After determining the billets used in the extrusion process and the actual extrusions produced, the verification team was then able to calculate the volume of extrusions that could be sold. By adding the actual extrusions produced to purchases from PMI and other sources of purchases, and after accounting for opening, and adjusting for closing stock, the verification team calculated the volume in kilograms of extrusions that could be sold. Purchases, opening and closing stock were verified against PMB's *SAP* accounting system, PMB's management accounts and through the verification of upward sales of PMI's and PMB's exporter questionnaire to the financial accounts.

The verification team compared the volume of extrusions that can be sold against the actual volumes sold. A negligible variance over the three year inquiry period of less than one per cent was found. The verification team considers that the variance is not material, and is satisfied that PMB has accounted for all billet volumes as well as all extrusion volumes in the PMB group for the entire three year inquiry period.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

## **6 VERIFICATION OF THE EXPORTER QUESTIONNAIRE**

The verification team verified the completeness and relevance of PMB's exporter questionnaire by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

During the upward verification of the PMI exporter questionnaire, the verification team found that the PMI exporter questionnaire was incomplete when reconciling PMI's exporter questionnaire to the management accounts and annual report.

The verification team observed that sales of certain goods were omitted from the exporter questionnaire and, as such, sales of the goods were understated. The verification team was advised that this omission was replicated in the exporter questionnaire response for PMB.

PMB submitted a revised exporter questionnaire that listed all its domestic and export sales. The verification team was able to reconcile the revised exporter questionnaire to PMB's management accounts and annual reports.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

### **6.1 Verification of purchases from China**

PMB indicated that it sources some aluminium extrusions from PMI (China) and that it may occasionally purchase aluminium extrusions from other suppliers in Malaysia.

The verification team verified data provided by PMB in its exporter questionnaire by reconciling it to:

- all aluminium extrusions purchased from China in the inquiry period *upwards* through management reports to audited financial statements; and
- all aluminium extrusions purchased from China in the inquiry period *downwards* to source documents.

The verification team verified the sales of PMI to PMB as part of the PMI upwards reconciliation process. The sales from PMI to PMB were cross referenced against PMB's reconciliation of billet and aluminium extrusion volumes which included purchases from PMI over the three year period. This is discussed in Section 5 of this report.

#### **6.1.1 Downwards verification methodology**

Purchases by PMB (or its related Malaysian entities) from PMI were selected for downwards verification applying the following parameters:

- in circumstances where verification team found models (by specification) sold by PMB to PMAA correlated to models purchased by PMB (or its related Malaysian entities) from PMI, the verification team selected all PMB purchases for further evaluation; and
- where quantitative analysis demonstrated that the volume of sales (by model) between PMB to PMAA matched the volume of purchases by PMB (or its related Malaysian entities) from PMI, all PMB purchases were sampled for downwards verification.

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### **6.1.2 Downwards verification of purchases to source documents**

The verification team verified the accuracy of the selected purchases by reconciliation to the following source documents in accordance with ADN No.2016/13:

- commercial invoices;
- packing lists;
- bill of lading;
- certificates of origin; and
- evidence of payment including bank receipts, remittance advices and bank statements.

The verification team did not identify anomalies which warranted further inquiries and considers that the data provided by PMB in its exporter questionnaire as it relates to purchases from China is accurate.

### **6.2 Verification of sales to Australia**

The verification team verified:

- the exports to Australia and reconciled it to Australian Border Force (ABF) import database;
- all aluminium extrusions exported to Australia in the inquiry period *upwards* through to management reports to audited financial statements; and
- a sample of aluminium extrusions exported to Australia in the inquiry period *downwards* to source documents.

The verification team was able to cross reference the revised PMB sales volumes to Australia and match it against the information provided by PMAA during the upward verification of PMAA's importer data.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

#### **6.2.1 Downwards verification to source documents**

PMB sales to Australia were verified in conjunction with its purchases from PMI. The methodology adopted for sample selection, as well as outcomes of the verification's team's assessment of relevant documentation, is described in section 6.1.1 of this report.

Where the verification team found that model specifications for aluminium extrusion sales from PMI to PMAA were equivalent to those in PMB to PMAA sales, a sample of PMB to PMAA sales for these models was selected for downwards verification.

The verification team verified the accuracy of the selected sales by reconciliation to the following source documents in accordance with ADN No.2016/13:

- commercial invoices;
- packing lists;
- bill of lading;
- certificates of origin; and

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- evidence of payment including bank receipts, remittance advices and bank statements.

The verification team did not identify anomalies which warranted further inquiries and considers that the data provided by PMB in its exporter questionnaire as it relates to sales to Australia is accurate.

## **7 SALES TO OTHER MARKETS**

During the upward verification of PMB export sales, the verification team identified sales that are termed *transshipment sales*.

The sales are coordinated by PMB on behalf of a related entity and manufactured by PMI. PMI delivers the goods to the related party.

The verification team was able to reconcile these sales using a sales and debtors report generated from the PMB accounting system. These reports reconciled to the exporter questionnaire and to the management accounts used in the upward reconciliation of PMB sales data.

The verification team also selected a sample of invoices and has determined that the sales were destined to a related party and not destined for Australia.

The verification team did not identify any other issues in relation to this matter.

## **8 THE VERIFICATION TEAM'S PRELIMINARY CONCLUSIONS**

Based on the work undertaken, the verification team found:

- no evidence related to packaging or labelling that indicated that goods were exported from China to Australia through Malaysia
- no material discrepancies in PMI's records related to sales, purchases, stock and production of aluminium extrusions
- no packages of aluminium extrusions for export to Australia, either directly from China or through a third country
- no documentary evidence of aluminium extrusions being exported to Australia from China through Malaysia or other third countries
- no physical or other evidence of aluminium extrusions being exported to Australia from China through Malaysia or other third countries.



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**9 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Verification Work Program
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