



**INVESTIGATION 442**

**ALLEGED DUMPING OF CERTAIN ALUMINIUM EXTRUSIONS  
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA BY  
GUANGDONG JIANGSHENG ALUMINIUM CO., LTD AND  
GUANGDONG ZHONGYA ALUMINIUM COMPANY LTD; AND  
THE KINGDOM OF THAILAND**

**VERIFICATION REPORT - EXPORTER**

**Guangdong Zhongya Aluminium Company Limited and  
Zhongya Shaped Aluminium (HK) Holding 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 THE ANTI-DUMPING COMMISSION**

**March 2018**

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## **1 BACKGROUND**

On 19 October 2017, the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of certain aluminium extrusions exported to Australia from the People's Republic of China (China) by Guangdong Jiangsheng Aluminium Co., Ltd (Jiangsheng Aluminium) and Guangdong Zhongya Aluminium Company Limited (Zhongya Aluminium); and all exporters from the Kingdom of Thailand (Thailand). Public notification of the initiation of the investigation was published on the Commission's website. The background relating to the initiation of this investigation is contained in Consideration Report 442 and Anti-Dumping Notice (ADN) No. 2017/144.

Following initiation of the investigation, a search of the Australian Border Force import database indicated that Guangdong Zhongya Aluminium Company Limited (Zhongya Aluminium) exported the goods during the period 1 October 2016 to 30 September 2017 (the inquiry period).

The Anti-Dumping Commission (the Commission) sought Zhongya Aluminium's cooperation through the completion of an Exporter Questionnaire regarding the goods. Zhongya Aluminium provided a complete exporter questionnaire response and relevant attachments for the period 1 October 2016 to 31 September 2017 (the investigation period).

## 2 THE GOODS AND LIKE GOODS

### 2.1 The goods exported to Australia

During the investigation period Zhongya Aluminium exported aluminium extrusions ('the goods') to Australia. These goods were of varying finishes, shapes and sizes. The goods exported to Australia were sold to the importer in Australia via a related trading entity, Zhongya Shaped Aluminium HK (Zhongya HK).

### 2.2 Like goods sold on the domestic market

During the investigation period, Zhongya Aluminium also sold like goods to domestic customers in China. These goods were of varying finishes, shapes, sizes, alloy content and temper grades.

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

- have physical characteristics that are similar, such as finishes, alloy content and temper grades;
- are produced at the same facilities, using the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike, as they have similar end uses, notwithstanding customer specific designs in certain circumstances.

### 2.3 Model matching

The verification team notes that the application for the publication of a dumping duty notice (the application) made claims that a particular market situation exists in the Chinese domestic aluminium extrusions market. Without pre-empting the Commissioner's decision on the market situation finding, the verification team notes that normal values under 269TAC(2)(c) of the *Customs Act 1901*<sup>1</sup> does not require matching domestic models to export models of aluminium extrusions.

In the event of constructing normal values, the cost of production or manufacture of the goods<sup>2</sup> has been determined for each model based on finish (mill, coated and anodised).

### 2.4 Like goods – preliminary assessment

The verification team considers that the aluminium extrusions produced by Zhongya Aluminium for domestic sale have characteristics closely resembling those of the goods

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<sup>1</sup> All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

<sup>2</sup> 269TAC(2)(c)(i)

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that were exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1).<sup>3</sup>

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<sup>3</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

## 3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

### 3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Zhongya Aluminium and Zhongya HK's Australian sales listings by reconciling it to audited financial statements and Profit and Loss Reports in accordance with ADN. No 2016/30.

The verification team did not identify any material issues during this process. It was noted that the auditor's opinion was qualified, however the verification team considers that the qualified opinion had no material effect on the use of both companies' accounts for verification purposes.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

### 3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Zhongya Aluminium's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

### 3.3 Revised Export Sales Listing

At the commencement of the verification Zhongya Aluminium provided a revised Australian sales listing correcting minor errors. The verification team also noted that a small number of transactions did not include all relevant data. Zhongya Aluminium clarified the reason for the data not being specified, which was verified to source documents. These transactions have been excluded on the basis of the advice provided by Zhongya Aluminium on the nature of these transactions.

### 3.4 In land Transport Costs

It was noted that the inland transport costs associated with certain sales were not included in the sales listing. Zhongya Aluminium provided a calculated transport cost for these sales. The verification team was not satisfied that these calculations accurately reflected Zhongya Aluminium's actual costs for this inland transport. As a consequence, the verification team replaced these costs with verified third party inland transport costs for other Australian exports made by Zhongya Aluminium.

During the downward process the verification team did not identify any other material issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

### 3.5 Rebates and Discounts

Zhongya HK advised that it occasionally issues credit or debit notes to Australian customers. However it was not possible to relate these to individual transactions. The verification team verified the aggregate value of these credit and debit notes for the period

of the investigation. Given that it was not possible to allocate these amounts to individual transaction, the verification team made an weighted adjustment to all Australian sales by customer.

### **3.6 The exporter**

For all Australian export sales during the inquiry period, the verification team considers Zhongya Aluminium to be the exporter of the goods. During the period of investigation the verification team considers that Zhongya Aluminium:

- manufactured the goods exported to Australia;
- is located in the country of export from where the goods were shipped;
- knowingly placed the goods in the hands of a carrier, courier or forwarding company for delivery to Australia; and
- whilst Zhongya HK is significantly involved in the transaction process, it is essentially acting as a facilitator or agent for Zhongya Aluminium in the sale and shipment of the goods.

### **3.7 The importer**

The verification team considers that, in relation to the goods exported by Zhongya Aluminium, the customers listed in the Australian sales spreadsheet were the beneficial owners of the goods at the time of importation and therefore were the importers of the goods. This is for the following reasons:

- the Australian customers are named on supplier invoices from the selling agent, Zhongya HK;
- the Australian customers are named as the consignees on the bills of lading; and
- the Australian customers made payment for the goods to Zhongya HK.

### **3.8 Related party customers**

Capral raised concerns about Zhongya Aluminium's affiliations with one of its Australian importers, Darley Trading. In particular, Capral claims that the common management between the importer and exporter impacts the determination of export price under s269TAB of the Act.

The verification team's assessment of information provided by Zhongya Aluminium and Zhongya HK in regard to its company structures is contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

### **3.9 Arms length**

In respect of aluminium extrusions exported by Zhongya Aluminium to Australia during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or

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- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.<sup>4</sup>

The verification team considered the allegations made by Capral and assessed the evidence regarding the price that Darley Trading paid for the goods in comparison to other Australian customers.

The consideration paid for or in respect of the goods appears to be the market price. There is no evidence that any relationship between the buyer, or an associate of the buyer, and seller, or an associate of the seller, influenced the price paid for the goods. The verification team assessed the nature of the buyer-seller relationship between Darley Trading and Zhongya HK, as well as the position of an individual in both company structures and found no evidence that any of these relationships influenced the price of the goods.

The verification team therefore considers that all export sales to Australia made by Zhongya Aluminium during the inquiry period were at arms-length prices.

### 3.10 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is complete, relevant and accurate and recommends that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Specifically, for the purposes of this verification, the export price is considered to be the price paid or payable by the Australian importer, less relevant costs including:

- Handling and transport cost were applicable to certain sales;
- the costs of Zhongya HK;
- the profit of Zhongya HK;
- invoice fees were incurred by Zhongya HK; and
- credit term costs.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>4</sup> Section 269TAA of the Act refers.



## 4 COST TO MAKE AND SELL

### 4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Zhongya Aluminium's cost to make and sell (CTMS) spreadsheet by reconciling each to audited financial statements and tax returns in accordance with ADN No. 2016/30. The verification team also verified the completeness and relevance of the costs of Zhongya HK by reconciling each to audited financial statements and Profit and Loss Statements in accordance with ADN No. 2016/30.

During the upwards verification of the CTMS spreadsheet, Zhongya Aluminium submitted a revised CTMS spreadsheet to correct a minor error identified. The verification team also identified a calculation error in the CTMS spreadsheet which overstated Zhongya Aluminium's costs. The verification team corrected the calculation error.

The verification team did not identify any other material issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

### 4.2 Verification of costs to source documents

The verification team was able to verify the accuracy of Zhongya Aluminium's CTMS spreadsheet and Zhongya HK's costs to source documents in accordance with ADN No. 2016/30.

#### 4.2.1 Raw Material Purchase List

During the downwards verification, it was identified that Zhongya Aluminium had only included purchases of Aluminium ingot and not the purchase of Aluminium billet in its list of aluminium purchases. Zhongya Aluminium subsequently provided these billet transaction details.

#### 4.2.2 Allocation of Selling Costs

Zhongya Aluminium allocated its selling costs between domestic and export sales. Given that the export sales are conducted through an associated entity, Zhongya HK, the verification team considers that all of Zhongya Aluminium's selling costs should be allocated to domestic sales. The verification team reallocated Zhongya Aluminium's selling costs in the CTMS on this basis.

The verification team did not identify any other material issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

### **4.3 Related party purchases**

Based on the company's response to the Exporter Questionnaire and documentation supplied for the purpose of the verification visit, the verification team did not identify any raw material suppliers that might be related to Zhongya Aluminium or Zhongya HK.

### **4.4 Cost to make and sell – summary**

Having verified Zhongya Aluminium's CTMS and Zhongya HK's costs to audited financial statements and other source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

The CTMS spreadsheet is at **Confidential Appendix 2**.

## 5 VERIFICATION OF DOMESTIC SALES

### 5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Zhongya Aluminium's domestic sales listing by reconciling it to audited financial statements and tax returns in accordance with ADN No. 2016/30.

The verification team did not identify any issues during the upwards verification of domestic sales.

### 5.2 Subject goods

Zhongya Aluminium advised that all domestic sales were like goods, which included the sale of 'heat insulated' aluminium extrusions.

To verify if the heat insulated extrusions were the goods under consideration, the visit team requested Zhongya Aluminium to provide drawings of the product. Zhongya Aluminium also retrieved a heat insulated extrusion for the verification team to observe. The verification team reviewed the drawings and the actual extrusion.

Having considered the information submitted by Zhongya Aluminium, the verification team has treated heat insulated extrusions as like goods.

### 5.3 Verification of domestic sales to source documents

The verification team verified the accuracy of Zhongya Aluminium's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. A minor discrepancy in an invoice date was identified. The verification team did not identify any material issues during the downwards verification of domestic sales.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

#### 5.3.1 Reimbursements

The domestic sales listing included transactions with zero quantity and negative invoice values. Zhongya Aluminium explained that these entries were made to adjust for certain issues. The verification team excluded these transactions with zero quantity and negative values from the domestic sales listing.

### 5.4 Arms length

In respect of domestic sales of the goods made by Zhongya Aluminium during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

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- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Zhongya Aluminium during the inquiry period were arms length transactions.

### 5.5 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade.

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

### 5.6 Suitability of domestic sales and profit

As discussed in 2.3, in the event that a market situation finding is made normal values would be constructed using the costs to make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

The profitability of domestic sales of like goods would be calculated by comparing the selling price with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the OCOT<sup>5</sup>.

### 5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can sales that were arm's length in the OCOT and in sufficient volumes can be used for assessing normal value under subsection 269TAC(1).

The domestic sales listing is at **Confidential Appendix 3**.

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<sup>5</sup> Section 45(2) of the *Customs (International Obligations) Regulation 2015*

## **6 ADJUSTMENTS**

To ensure that the normal value is comparable to the export price of goods exported to Australia at an ex works cash term (EXW), the verification team has considered the need for adjustments.

Zhongya HK and Zhongya Aluminium did not identify any differences in circumstances between domestic and export sales in its questionnaire response relating to fair comparison.

During the verification process the verification team identified several matters where an adjustment to bring the domestic sales price to the same comparison point as the export sales price were required. These are discussed below.

### **6.1 Export Packaging**

The verification team considers that an upward adjustment for costs is required, to ensure a fair comparison to the EXW export price. The verification team was not satisfied with the calculation of the cost information for packaging provided by Zhongya Aluminium includes all relevant costs incurred. As a consequence, the verification team recommends an adjustment based on the weight average of Zhongya Aluminium's costs and the verified costs of another exporter.

### **6.2 Export Commission and Processing Fees**

Zhongya Aluminium incurs commissions and/or processing fees on certain export transactions. The verification team recommends an adjustment based on a weighted average cost of these fees or commissions paid during the period of investigation that were effectively incurred by Zhongya Aluminium.

### **6.3 Non-refundable value-added tax**

The verification team considers that an upward adjustment to the normal value for non-refundable VAT is required to ensure a fair comparison to the FOB export price. Zhongya Aluminium incurs a non-refundable VAT expense on export sales to Australia of 4 per cent, being the difference between the VAT rate of 17 per cent less 13 per cent VAT refunded on export sales of aluminium extrusions. Therefore, the verification team recommends applying this adjustment by adding 4 per cent to the normal value.

### **6.4 Adjustments – conclusion**

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments. The verification team considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

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Adjustment Type	Deduction/addition
Export Packaging	<b>Add</b> the cost of export packaging.
Export Commissions/Processing	<b>Add</b> the cost of export commissions/processing & banking fees.
Non-refundable value-added tax	<b>Add</b> the non-refundable VAT amount of 4 per cent.

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 5**.

## 7 NORMAL VALUE

As stated in section 2.3, the application has claimed that a particular market situation exists in the Chinese domestic aluminium extrusion market.

In the event that a market situation is found, normal values can be constructed under 269TAC(2)(c) using:

- Zhongya Aluminium's costs to make that reasonably reflect competitive market costs<sup>6</sup>; plus
- SG&A on the assumption that the goods, instead of being exported, were sold domestically; plus
- A rate of profit, as discussed in section 5.6, using its domestic sales of like goods made in the ordinary course of trade<sup>7</sup>.

The verification team has not determined whether there is a particular market situation or whether the costs of production in the exporter's records reasonably reflect competitive market costs. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that in the event of the case team constructing normal values under 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above.

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<sup>6</sup> Section 43(2) of the *Customs (International Obligations) Regulation 2015*

<sup>7</sup> Section 45(2) of the *Customs (International Obligations) Regulation 2015*

## **8 DUMPING MARGIN**

The verification team has referred the determination of the normal value to the case management team therefore, the verification team has not calculated a preliminary dumping margin.



**9 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Australian export sales
<b>Confidential Appendix 2</b>	Revised CTMS
<b>Confidential Appendix 3</b>	Domestic sales and profit
<b>Confidential Appendix 4</b>	Constructed CTMS
<b>Confidential Appendix 5</b>	Normal value and Dumping margin
<b>Confidential Attachment 1</b>	Verification work program, with attachments