



**Australian Government**  
**Australian Customs Service**



**International Trade Remedies Branch**  
**Exporter Questionnaire**



**Product:** Polyvinyl Chloride Homopolymer Resin

**From:** The Republic of Korea

**Period of Investigation:** 1 January 2011 to 31 December 2011

**Response due by:** 4 June 2012

**Case manager:** Mr Rod Jones

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**Australian Customs and Border Protection website:** [www.customs.gov.au](http://www.customs.gov.au)

**Return completed questionnaire to:** Director Operations 1  
International Trade Remedies Branch  
Australian Customs and Border  
Protection Service  
5 Constitution Avenue  
Canberra ACT 2601  
AUSTRALIA

**Company Name:** LG Chem, Ltd.

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**SECTION A COMPANY STRUCTURE AND OPERATIONS**

*This section requests information relating to company details and financial reports.*

**A-1 Identity and communication**

Please nominate a person within your company who can be contacted for the purposes of this investigation:

**LG Chem**

<b>Name:</b>	<b>Benjamin Cho</b>
<b>Position in the Company:</b>	<b>Senior Manager</b>
<b>Address:</b>	<b>20, Yeouido-dong Youngdeungpo-gu Seoul 150-721, Korea</b>
<b>Telephone:</b>	<b>82-2-3773-6637</b>
<b>Facsimile number:</b>	<b>82-2-3773-7754</b>
<b>E-mail address of contact person:</b>	<b>windy@lgchem.com</b>

**A-2 Representative of the company for the purpose of investigation**

If you wish to appoint a representative to assist you in this investigation, provide the following details:

**Corporate Representative in Korea**

<b>Name:</b>	<b>Wayne Park</b>
<b>Address:</b>	<b>KPMG Samjong Consulting Inc., International Trade Consulting Gangnam Finance Center 10th Floor, 737 Yeoksam-dong Gangnam-gu, Seoul 135-984, Korea</b>
<b>Telephone:</b>	<b>82-2-2112-0823</b>
<b>Facsimile:</b>	<b>82-2-2112-6980</b>
<b>E-mail address of contact person:</b>	<b><u>wpark@kr.kpmg.com</u></b>

**Legal Representative in Australia**

<b>Name:</b>	<b>Daniel Moulis / Alistair Bridges</b>
<b>Address:</b>	<b>Moulis Legal 6/2 Brindabella Circuit Brindabella Business Park Canberra International Airport</b>

Australian Capital Territory 2609

Australia

Telephone:

61-2-6163-1000

Facsimile:

61-2-6162-0606

E-mail address of contact person:

Daniel.moullis@moullislegal.com

*Note that in nominating a representative, Customs and Border Protection will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.*

**A-3 Company information**

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

**LG Chem Ltd. (hereinafter "LG Chem.") and LG International Corp.**

**(hereinafter "LGI") are companies, incorporated on April 1, 2001 and**

**November 26, 1953 respectively, in accordance with the laws of the Republic of Korea.**

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

**<LG Chem> The principal shareholders are LG Corp. (33.53%) and National Pension Service (6.8%).**

**<LGI> The principal shareholders are Ku, Bon-Jun (LG Corp.'s president) and his affiliated shareholders (27.8%) and National Pension Service (8.62%).**

3. If your company is a subsidiary of another company list the principal shareholders of that company.

**The parent company of LG Chem and LGI is LG Corp., [CONFIDENTIAL TEXT DELETED – information regarding company structure].**

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

**The parent company of LG Chem and LGI is LG Corp. LG Corp. is not a subsidiary of another company. Therefore, this question is not applicable.**

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

Please refer to "[REDACTED]".

[CONFIDENTIAL].

6. Are any management fees/corporate allocations charged to your company by your parent or related company.

There is [CONFIDENTIAL TEXT DELETED].

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

<LG Chem> LG Chem is a manufacturer producing various chemical products. LG Chem sells its products including GUC (PVC) to both domestic market and foreign countries including Australia.

<LGI> LGI is not a manufacturer of any product, rather only exports GUC (PVC) produced by LG Chem to foreign countries including Australia as a trading company.

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture;
- sell in the domestic market;
- export to Australia; and
- export to countries other than Australia.

LG Chem performs all of the above described businesses, but LGI performs only export sales function of GUC.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Please refer to "[REDACTED]".

[CONFIDENTIAL] and "[REDACTED]"

[CONFIDENTIAL].

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

Please refer to "[REDACTED]" and

"[REDACTED]" [CONFIDENTIAL]. Since LGI

does not have annual report, Business Portfolio describing LGI's business activities are provided.

#### A-4 General accounting/administration information

1. Indicate your accounting period.

LG Chem and LGI's accounting periods are the same as the calendar year.

2. Indicate the address where the financial records are held.

<LG Chem> LG Chem's financial records are held at the head office in Seoul.

Address : 20, Yoido-dong, Youngdungpo-gu, Seoul, Korea.

<LGI> LGI's financial records are held at the head office in Seoul.

Address : 20, Yoido-dong, Youngdungpo-gu, Seoul, Korea

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all -footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or -management accounts, that are prepared and maintained in the normal course of business for the goods under investigation.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under investigation, and
- the company.

Please refer to "[REDACTED]"

[CONFIDENTIAL], "[REDACTED]"

[CONFIDENTIAL], "[REDACTED]",

"[REDACTED]", "[REDACTED]"

"[REDACTED]", "[REDACTED]"

[REDACTED] [CONFIDENTIAL TEXT DELETED - information regarding accounting policy].

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

**LG Chem and LGI have submitted the audited reports. Therefore, this question is not applicable.**

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

**LG Chem and LGI maintain their financial records in accordance with Generally Accepted Accounting Principles ("GAAP") of the Republic of Korea. Therefore, this question is not applicable.**

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

**Inventories are stated at the lower of cost and net realizable value. Cost is determined using [CONFIDENTIAL TEXT DELETED – information regarding accounting policy].**

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

**Materials, labour and other overhead costs incurred at each direct cost centre are recorded and charged [CONFIDENTIAL TEXT DELETED]. Material costs are charged to individual products based on [CONFIDENTIAL TEXT DELETED]. The allocation of labour and overhead costs is based on [CONFIDENTIAL TEXT DELETED] depending on the production process.**

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

**For the cost accounting purpose, valuation methods for damaged or sub-standard goods are [CONFIDENTIAL TEXT DELETED]. In case of GUC, LG Chem. recognized [CONFIDENTIAL TEXT DELETED] damaged or sub standard goods cost.**

- valuation methods for scrap, by products, or joint products;

**Cost of by products is evaluated [CONFIDENTIAL TEXT DELETED]. In case of joint products, [CONFIDENTIAL TEXT DELETED] scrap, by products and joint products in GUC production process.**

- valuation and revaluation methods for fixed assets;

All property, plant and equipment are stated at historical cost or deemed cost less depreciation. Historical cost or deemed cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

- average useful life for each class of production equipment and depreciation method and rate used for each;

Depreciation on other assets is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows

**[CONFIDENTIAL TEXT DELETED]– information schedule of depreciation rates].**

- treatment of foreign exchange gains and losses arising from transactions;

Gains and losses are incurred on foreign currency transactions due to exchange rate fluctuations between the time an expense is incurred and the time of payment. The resulting gains and losses recognized in the income statements as "gains/losses on foreign currency transactions".

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

**[CONFIDENTIAL TEXT DELETED].**

- inclusion of general expenses and/or interest;



Assets and liabilities denominated in a foreign currency are translated at the appropriate exchange rate on the balance sheet dates. The resulting unrealized foreign currency translation gains (losses) are credited (charged) to current operations.

- provisions for bad or doubtful debts;

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection of accounts and notes receivable.

- expenses for idle equipment and/or plant shut-downs;

Korean GAAP requires that idle assets be depreciated. **[CONFIDENTIAL TEXT DELETED]** LG Chem, reports maintenance cost in case of plant shut-down.

- costs of plant closure;

**[CONFIDENTIAL TEXT DELETED]**

- restructuring costs;

**[CONFIDENTIAL TEXT DELETED]**

- by-products and scrap materials resulting from your company's production process; and

Costs of by products and scrap are evaluated by market price. And it reduces the manufacturing cost of main products **[CONFIDENTIAL TEXT DELETED]**.

- effects of inflation on financial statement information.

There were no effects of inflation on the financial statements.

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

LG Chem has adopted International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") from the annual period beginning on January 1, 2010. Korean IFRS are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea. The Company's transition date to Korean IFRS in accordance with Korean IFRS 1101 was January 1, 2009, and its Korean IFRS adoption date was January 1, 2010.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2011:

- Korean IFRS 1024 (amendment), 'Related party disclosures', issued in November 2009. Korean IFRS 1024 (amendment) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The amended standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- Korean IFRS 1034 (annual improvement), 'Interim financial reporting'. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, changes in the classification of financial assets as a result of a change in the purpose or use of those assets and changes in contingent liabilities or contingent assets are added to the disclosure items for interim financial reporting. An entity shall apply those amendments for annual periods beginning on or after January 1, 2011.

## A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under investigation is defined in the glossary of terms in the appendix to this form). You should explain how costs have been allocated.

Prepare this information on a spreadsheet named **"INCOME STATEMENT"**.

*This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.*

Please refer to "[REDACTED]" [CONFIDENTIAL] and "[REDACTED]" [CONFIDENTIAL].

## A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

Prepare this information in a spreadsheet named **"TURNOVER"**.

*This information will be used to verify the cost allocations to the goods under investigation in Section G.*

*Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements of all sales by your company.*

Please refer to "[REDACTED]" [CONFIDENTIAL] and "[REDACTED]" [CONFIDENTIAL].

## SECTION B SALES TO AUSTRALIA (EXPORT PRICE)

*This section should only be completed if you have exported PVC to Australia.*

*This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but Customs and Border Protection may also compare prices at the ex factory level. You should report prices of all goods **shipped** to Australia during the investigation period.*

*The invoice date will normally be taken to be the date of sale. If you consider*

- *the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;*
- *an alternative date should be used when comparing export and domestic prices*

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

B-1 For each customer in Australia to whom you shipped goods list:

- name;
- address;
- contact name and phone/fax number where known; and
- trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

Please refer to "[REDACTED]" **[CONFIDENTIAL]**.

B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

**[CONFIDENTIAL TEXT DELETED]**

- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

**[CONFIDENTIAL TEXT DELETED]**

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

**[CONFIDENTIAL TEXT DELETED]**

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

**<LG Chem> [CONFIDENTIAL TEXT DELETED – information regarding distribution channels].**

**<LGI> [CONFIDENTIAL TEXT DELETED – information regarding distribution channels].**

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.

**The export selling price is be determined based on the market price and through the negotiation.**

**[CONFIDENTIAL TEXT DELETED]**

State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

**[CONFIDENTIAL TEXT DELETED].**

- (f) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

**During the investigation period, all of the export sales are based on individual order basis [CONFIDENTIAL TEXT DELETED].**

- B-3 Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

**LG Chem and LGI's export selling price is determined by individual negotiation. [CONFIDENTIAL TEXT DELETED] – information regarding distribution channels].**

- B-4 Prepare a spreadsheet named "AUSTRALIAN SALES" listing all shipments (that is transaction by transaction) to Australia of PVC. You must provide this list in electronic format. Include the following export related information:

**Please refer to "[REDACTED]" [CONFIDENTIAL] and "[REDACTED]" [CONFIDENTIAL] for details.**

Column heading	Explanation
Customer name	names of your customers
Level of trade	the level of trade of your customers in Australia
Model/grade/type	commercial model/grade or type
Product code	code used in your records for the model/grade/type identified. Explain the product codes in your questionnaire response.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Order number	If applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Shipping terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity	Quantity in units shown on the invoice. Show basis eg kg.
Gross invoice value	gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i>
Discounts on the invoice	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	the currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as it is entered in your accounting system
Rebates or other allowances	the amount of any deferred rebates or allowances paid to the importer in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Ocean freight**	the actual amount of ocean freight incurred on each export shipment listed.
Marine insurance	Amount of marine insurance
FOB export price**	the free on board price at the port of shipment.
Packing*	Packing expenses
Inland transportation costs*	inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.
Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other factors*	<b>any other</b> costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

\*\* FOB export price and ocean freight\*:

**FOB export price:** An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

**Ocean freight:** as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

\* All of these costs are further explained in section E-1.

**B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

<LG Chem> **[CONFIDENTIAL TEXT DELETED]**.

<LGI> **[CONFIDENTIAL TEXT DELETED]**.

**B-6** For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

**[CONFIDENTIAL TEXT DELETED]**.

**B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has not been reported as a discount or rebate.

**[CONFIDENTIAL TEXT DELETED]**.

**B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (e.g. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price

Other costs	Customs brokers, port and other costs incurred (itemise)
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<LG Chem> [CONFIDENTIAL TEXT DELETED].

<LGI> [CONFIDENTIAL TEXT DELETED].

B-9 Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

Customs and Border Protection will select additional shipments for payment verification at the time of the visit.

The sample documents are provided in "[REDACTED]  
[REDACTED]" [CONFIDENTIAL].



## SECTION C EXPORTED GOODS & LIKE GOODS

*This section should only be completed if you have exported PVC to Australia during the investigation period.*

- C-1 Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

LG Chem maintains product coding system for normal operation purpose.

Please refer to [REDACTED] **[CONFIDENTIAL]**.

**[CONFIDENTIAL TEXT DELETED]**

### Code Description for Polymerization Degree of VCM

**[CONFIDENTIAL TEXT DELETED]**

### Code Description for Export Packing Type

**[CONFIDENTIAL TEXT DELETED]**

**[CONFIDENTIAL TEXT DELETED - code description for export packing type]**

- C-2 List each model/type of the good exported to Australia (these models should cover all models listed in spreadsheet "Australian sales" – see section B of this questionnaire).

**Product Code & Product Type (Description)**

**[CONFIDENTIAL TEXT DELETED]**

- C-3 If you sell like goods on the domestic market, for each model/type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

There is no difference between goods sold on the domestic market and goods exported to Australia for each model. For the comparison purpose between domestic sales and Australian sales, LG Chem. provides product group which is eliminated packing type.

- and provide a detailed explanation of the differences where those goods sold domestically (that is the like goods – see explanation in glossary) are not identical to the goods exported to Australia (for example):

**[CONFIDENTIAL TEXT DELETED – product type and attributes]**

- C-4 Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Please refer to "[REDACTED]".

## SECTION D DOMESTIC SALES

*This section should only be completed if you have sold PVC in the domestic market.*

*This section seeks information about the sales arrangements and prices in the domestic market of the country of export.*

*All domestic sales must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets Customs and Border Protection requirements.*

*Customs and Border Protection will normally take the invoice date as being the date of sale.*

*If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices –*

*If you do not have any domestic sales of like goods you must contact the case officer who will explain the information Customs and Border Protection requires for determining a normal value using alternative methods.*

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

### **[CONFIDENTIAL TEXT DELETED]**

**In domestic market, LG Chem has [confidential text deleted] – Information regarding domestic distribution channels]. Upon receipt of inquiry from the customers by telephone or email, LG Chem makes offers and negotiates with the customer. [CONFIDENTIAL TEXT DELETED].**

**If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.**

### **[CONFIDENTIAL TEXT DELETED]**

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

**LG Chem's domestic selling prices are determined by individual negotiation.**

### **[CONFIDENTIAL TEXT DELETED]**

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

The domestic selling price would be determined based on the market price and through the negotiation. Please refer to below for detail process by each channel.

[CONFIDENTIAL TEXT DELETED- information regarding domestic sales process and distribution channels]

If sales are in accordance with price lists, provide copies of the price lists.

There are no such price lists available on domestic sales for LG Chem.

- D-4 Prepare a spreadsheet named "**DOMESTIC SALES**" listing all sales of like goods made during the investigation period. The listing must be provided on a computer disk. Include all of the following information:

Please refer to "[REDACTED]" [CONFIDENTIAL] for detail.

## DOMESTIC SALES

Column heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Level of trade	the level of trade of your domestic customer
Model/grade/type	commercial model/grade or type
Product code	code used in your records for the model/grade/type identified. Explain the product codes in your questionnaire response.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale and should be used, report that date. For example, order confirmation, contract, or purchase order date.
Order number	show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Delivery terms	eg ex factory, free on truck, delivered into store
Payment terms	payment terms agreed with the customer eg. 60 days=60 etc
Quantity	quantity in units shown on the invoice eg kg.
Gross Invoice value	gross value shown on invoice <i>in the currency of sale</i> , net of taxes.
Discounts on the invoice	the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide description.
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as recorded in your accounting system
Rebates or other allowances	the actual amount of any deferred rebates or allowances in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Packing*	packing expenses
Inland transportation costs*	amount of inland transportation costs included in the selling price.
Handling, loading and ancillary expenses*	handling, loading & ancillary expenses.
Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services such as technical assistance or installation costs.
Commissions*	commissions paid. If more than one type is paid insert additional columns of data.
Other factors*	<b>any other</b> costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5.

Costs marked with \* are explained in section E-2.

- D-5 If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above, add a column for each item (see "other factors"). For example, certain other selling expenses incurred.

**[CONFIDENTIAL TEXT DELETED]**

- D-6 For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

**[CONFIDENTIAL TEXT DELETED]**

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has not been reported as a discount or rebate.

**[CONFIDENTIAL TEXT DELETED]**

- D-7 Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

Customs and Border Protection will select additional sales for verification at the time of our visit.

The sample documents are provided in "[REDACTED]  
[REDACTED]" **[CONFIDENTIAL]**.

## SECTION E FAIR COMPARISON

*This section should only be completed if you have exported PVC to Australia.*

*Section B sought information about the export prices to Australia, Section D sought information about prices on your domestic market for like goods (that is the normal value).*

*Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.*

*As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.*

*To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. Customs and Border Protection must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.*

*Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence Customs and Border Protection may disallow the adjustment.*

*Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.*

*A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.*

*The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. Customs and Border Protection will not consider new claims made after the verification visit.*

### E-1 Costs associated with export sales

*(These cost adjustments will relate to your responses made at question B-4, 'Australian sales').*

#### 1. Transportation

*Explain how you have quantified the amount of inland transportation associated with the export sale ("Inland transportation costs"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.*

LG Chem transported the goods for shipment to Australia from the factory to the port of loading for all Australia sales. Transportation to the loading port was provided by an unaffiliated trucking companies.

The reported inland transportation costs are the actual freight charge, in Korean won, calculated on a vessel-specific basis, as the freight company charges to LG Chem. When more than one type or size of merchandise was shipped at the same time, the inland transportation costs are allocated in proportion to the shipped quantity of each transaction. A sample calculation worksheet is provided in "[REDACTED]" [CONFIDENTIAL].

The reported ocean freight costs are the actual freight charge, in Korean won, calculated based on the shipment number, as the freight company charges to LG Chem. When more than one type or size of merchandise was shipped at the same time, the ocean freight costs are allocated in proportion to the shipped quantity of each transaction. A sample calculation worksheet is provided in "[REDACTED]" [CONFIDENTIAL].

## 2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("Handling, loading & ancillary expenses"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

### 1) Wharfage & Others

<LG Chem> The reported amount is the sum of the wharfage and other costs paid by LG Chem. These expenses for each sales to Australia have been reported, in the "Wharfage & others" field in the sales listing. When more than one type or size of merchandise was shipped at the same time, the ocean freight costs are allocated in proportion to the shipped quantity of each transaction. A sample calculation worksheet is provided in "[REDACTED]" [CONFIDENTIAL].



<LGI> All sales are under [CONFIDENTIAL TEXT DELETED] during the period of investigation, [CONFIDENTIAL TEXT DELETED].

## (2) Bank Charges

<LG Chem> LG Chem incurred bank charges in connection with the collection of payment for the export sales to Australia market. The bank charges for each sale to Australia have been reported, in the "Bank charges" field in the LG Chem's sales listing. LG Chem allocated the bank charges amount in proportion to the shipped invoice value of each transaction. A sample calculation worksheet for the bank charges is provided in "[REDACTED]" [CONFIDENTIAL].

<LGI> LGI incurred bank charges in connection with the collection of payment for the export sales to Australia market. The bank charges for each sale to Australia have been reported, in the "Bank charges" field in the LGI's sales listing. A sample calculation worksheet for the bank charges is provided in "[REDACTED]" [CONFIDENTIAL].

## (3) Customs Agent Fee <Export Clearance Fee>

<LG Chem> LG Chem incurred Customs Agent Fees (export clearance fee) of [CONFIDENTIAL TEXT DELETED]. LG Chem allocated the customs agent fees in proportion to the shipped quantity of each transaction. A sample calculation worksheet for the Customs agent fee is provided in "[REDACTED]" [CONFIDENTIAL].

<LGI> [CONFIDENTIAL TEXT DELETED – information regarding export costs and distribution channels].

## 3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, Customs and Border Protection will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales e.g. short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

<LG Chem> As of Dec 31, 2011, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Notes

discounted). As per notes to the financial statement, annual interest rate at Dec 31,2011 is [CONFIDENTIAL TEXT DELETED]. Therefore, LG Chem used the [CONFIDENTIAL TEXT DELETED]. A sample calculation worksheet for interest rates are provided in "[REDACTED]".

[CONFIDENTIAL TEXT DELETED– Information regarding applicable interest rate]

**4. Packing costs**

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed 'Packing'.

<LG Chem> The packing method for the export product would be identical to the packing method for domestic sales. LG Chem has reported packing cost for both Australian sales and domestic sales. A sample calculation worksheet for packing costs is provided in "[REDACTED]" [CONFIDENTIAL].

<LGI> LGI has not incurred any packing costs during the period of investigation since LGI is a trading company. Therefore, this question is not applicable to LGI.

**5. Commissions**

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "Commissions". Identify the general ledger account where the expense is located.

<LG Chem> [CONFIDENTIAL TEXT DELETED].

<LGI> [CONFIDENTIAL TEXT DELETED].

**6. Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("Warranty & guarantee expenses" and "Technical assistance & other services"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED].

## 7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed **“Other factors”**. For example, other variable or fixed selling expenses, including salesmen's salaries, salesmen's travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

<LG Chem> [CONFIDENTIAL TEXT DELETED– Information regarding export costs].

<LGI> [CONFIDENTIAL TEXT DELETED– information regarding export costs].

## 8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a 'sustained' movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect 'sustained' movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

There was no sustained movement in exchange rate during the investigation period.

Therefore, this question is not applicable to LG Chem and LGI.

## E-2 Costs associated with domestic sales

*(These cost adjustments will relate to your responses made at question D-4, “domestic sales”)*

*The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.*

### 1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (that is an amount for selling general and administrative costs (SG&A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

There would not be any physical characteristic difference under LG Chem's internal product model categorization between sold to Australia and domestic market.

In this regard, there would not be necessary to make any adjustment physical difference, because there would not be any cost difference nor price difference between two models.

## 2. Import charges and Indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;

### **[CONFIDENTIAL TEXT DELETED – information regarding domestic costs]**

- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

### **Substitution drawback systems**

Annex 3 of the WTO Agreement on Subsidies provides: *"Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs"*

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

**[CONFIDENTIAL TEXT DELETED – information regarding domestic costs]**

**3. Level of trade**

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions*: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

**[CONFIDENTIAL TEXT DELETED – information regarding domestic costs]**

#### 4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, Customs and Border Protection will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

On domestic sales, LG Chem used 2011's average short-term borrowing interest rates officially released by the Bank of Korea. A calculation of interest rates are as follows:

Year	Month	Monthly Interest rate
2011	January	5.43%
	February	5.50%
	March	5.68%
	April	5.36%
	May	5.35%
	June	5.51%
	July	5.67%
	August	5.55%
	September	5.46%
	October	5.50%
	November	5.59%
	December	5.42%
	Yearly Average	5.50%

**\*Source: Official website for Bank of Korea; Economic Statistics System**

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system<sup>1</sup>, the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

LG Chem has calculated an account receivable turnover ratio **[CONFIDENTIAL TEXT DELETED]**.

*The following items are identified in the amounts quantified at question D-4:*

5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales ("Inland transportation Costs"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

LG Chem transported the goods from the factory to domestic customers. Transportation to the domestic customers was provided by an unaffiliated trucking companies**[CONFIDENTIAL TEXT DELETED]**. A sample calculation worksheet is provided in "**[REDACTED]**" **[CONFIDENTIAL]**.

<sup>1</sup> Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

## 6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified ("**Handling, loading and ancillary Expenses**"). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

LG Chem did not incur handling, loading and ancillary expenses on GUC during the investigation period. Therefore, this question is not applicable.

## 7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed "**Packing**".

The packing method for domestic sales product would be identical to the packing method for export sales. LG Chem has reported packing costs for both Australian sales and domestic sales in each table. A sample calculation worksheet for domestic packing costs is provided in "[REDACTED]" [CONFIDENTIAL].

## 8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed "**Commissions**". Identify the general ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED].

## 9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("**Warranty & Guarantee expenses**" and "**Technical assistance & other services**"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED].

## 10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "**Other factors**". List the factors and show how each has been quantified in per unit terms. For example:



- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

**[CONFIDENTIAL TEXT DELETED]— information regarding domestic costs].**

### **E-3 Duplication**

In calculating the amount of the adjustments you must ensure that there is no duplication. For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

According to LG Chem's knowledge, none of the reported adjustment would be duplicated or double counted.

## SECTION F EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA

*This section should only be completed if you have exported PVC to countries other than Australia.*

*Your response to this part of the questionnaire may be used by Customs and Border Protection to select sales to a third country that may be suitable for comparison with exports to Australia.*

*Sales to third countries may be used as the basis for normal value in certain circumstances. Customs and Border Protection may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.*

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Column heading	Explanation
Country	names of the country that you exported like goods to over the investigation period
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period
Level of trade	the level of trade that you export like goods to in the third country over the investigation period
Quantity	Indicate quantity in units exported to the third country by year and quarter over the investigation period
Unit of quantity	Show unit of quantity e.g. kg
Value of sales	Show total value of sales (at either FOB or ex-works) exported to the third country by year and quarter over the investigation period
Shipment terms	Typical shipment terms to customers in the third country (e.g. CIF, FOB, ex-works)
Currency	Currency in which you have expressed sales data
Payment terms	Typical payment terms with customer(s) in the country (e.g. 60 days)

Supply this information in spreadsheet file named "THIRD COUNTRY"

Please refer to "[REDACTED]" [CONFIDENTIAL].

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

There is none which may affect third countries sales' comparison to export sales to Australia.

## SECTION G – COSTING INFORMATION AND CONSTRUCTED NORMAL VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;
- determining a constructed normal value of the GUC - ie of the goods exported to Australia; and
- making certain adjustments to the normal value.

You will need to provide the cost of production of both the exported goods (GUC) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

- reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and
- provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

### G-1. Production process and capacity

8. Describe the production process for the GUC. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the GUC. Also specify all scrap or by-products that result from producing the GUC.

GUC were produced at both Yeosu and Daesan plants. (please see below map). The production process with description would be found as "[REDACTED]"

[REDACTED] [CONFIDENTIAL]. [CONFIDENTIAL TEXT DELETED]  
- information regarding production processes]

**[CONFIDENTIAL TEXT DELETED- information regarding production capacity]**

9. Provide information about your company's total production in the following table:

<p><u><b>[CONFIDENTIAL TEXT DELETED]</b></u></p>
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\* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spreadsheet named " **Production**".

Please refer to "[REDACTED]" **[CONFIDENTIAL]**.

**G-2. Cost accounting practices**

10. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

The cost accounting system is an integral part of LG Chem's financial accounting system used to prepare the company's audited financial statements. A flowchart of the cost accounting system is provided in "[REDACTED]" **[CONFIDENTIAL]. [CONFIDENTIAL TEXT DELETED - information regarding accounting policy]**

11. Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

LG Chem utilizes actual material and process cost accounting system, rather than standard or budgeted costing; this question is not applicable.

12. Provide details of any significant or unusual cost variances that occurred during the investigation period.

LG Chem utilizes actual material and process cost accounting system, rather than standard or budgeted costing; this question is not applicable.

13. Describe the profit/cost centres in your company's cost accounting system.

Materials, labour and other overhead costs incurred at each direct cost centre are recorded and charged to individual products as product is defined for inventory purposes. Material costs are charged to individual products based on actual input experience. The allocation of labour and overhead costs is based on labour hour and machine operation time depending on the production process. The cost centres list is provided in "Attachment G-3\_Cost Centre List" [CONFIDENTIAL].

14. For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under investigation. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

LG Chem accrues and amortizes expenses over the specific maturity of each fee and services. Any capital expenditures added to the balance of fixed asset is depreciated over the useful lives and all the R&D cost is charged into respective cost centres at occurred rather than deferred.

15. Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

LG Chem's cost accounting system is maintained by product code basis. Product code is verified by property(degree of polymerization, apparent bulk density, volatiles and etc). Please refer to "[REDACTED]" [CONFIDENTIAL].

16. List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

There is no production cost which is valued differently for cost accounting purposes than for financial accounting purposes.

17. State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

[CONFIDENTIAL TEXT DELETED].

18. State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

**[CONFIDENTIAL TEXT DELETED]**

### G-3 Cost to make and sell on domestic market

*This information is relevant to testing whether domestic sales are in the ordinary course of trade.<sup>2</sup>*

- Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type (identified in Section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.
- Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

Material costs <sup>1</sup>				
Direct labour				
Manufacturing overheads				
Other costs <sup>2</sup>				
Total cost to make				
Selling costs				
Administration costs				
Financial costs				
Delivery expenses <sup>3</sup>				
Other costs <sup>3</sup>				
Unit cost to make and sell				

<sup>1</sup> Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

<sup>2</sup> Relating to costs of production only; identify each cost separately.

<sup>3</sup> Identify each cost separately. Please ensure non-operating expenses that relate to the goods under investigation are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Prepare this information in a spreadsheet named "Domestic CTMS".

Please refer to "[REDACTED]" **[CONFIDENTIAL]**.

2 Customs and Border protection applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO Anti-Dumping Agreement – see Article 2.2.1.

*Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.*

*Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.*

*If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

**G-4 Cost to make and sell goods under consideration (goods exported to Australia)**

*The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.*

Material costs <sup>1</sup>				
Direct labour				
Manufacturing overheads				
Other costs <sup>2</sup>				
Total cost to make				
Selling costs				
Administration costs				
Financial costs				
Delivery expenses <sup>3</sup>				
Other costs <sup>3</sup>				
Unit cost to make and sell				

<sup>1</sup> Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

<sup>2</sup> Relating to costs of production only; identify each cost separately.

<sup>3</sup> Identify each cost separately. Please ensure non-operating expenses that relate to the **GUC** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Prepare this information in a spreadsheet named "Australian CTMS".

Please refer to "[REDACTED]" **[CONFIDENTIAL]**.

*Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.*

*Provide the information broken down into fixed and variable costs, and indicate the % total cost represented*

by fixed costs.

*If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

- G-5** Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

**There is no cost difference between goods sold to the domestic market and those sold for export except for the transportation expense for selling cost calculation.**

- G-6** Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

**There is no significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system.**

- G-7** In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

**[CONFIDENTIAL TEXT DELETED- information regarding calculation of SG&A].**

**G-8 Major raw material costs**

List major raw material costs, which individually account for 10% or more of the total production cost. For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company Customs and Border Protection will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the Customs Act. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies



controlled by the other company; and companies having the same person in the board of directors.

If the major input is purchased or supplied from an integrated production process you should provide detailed information on the full costs of production of that input.

The primary raw material used in the manufacture of the GUC vinyl chloride monomer ("VCM"). [CONFIDENTIAL TEXT DELETED – information regarding raw materials].

**SECTION H EXPORTER'S DECLARATION**

☐ I hereby declare that.....(company) did, during the period of investigation export the goods under investigation and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this questionnaire response is complete and correct to the best of my knowledge and belief.

☐ I hereby declare that.....(company) did not, during the period of investigation export the goods under investigation and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this questionnaire response is complete and correct to the best of my knowledge and belief.

**Name** :.....

**Signature** :.....

**Position in**

**Company** :.....

**Date** :.....

## SECTION I CHECKLIST

Section	Please tick if you have responded to all questions
Section A – general information	×
Section B – export price	×
Section C – like goods	×
Section D – domestic price	×
Section E – fair comparison	×
Section F – exports to third countries	×
Section G – costing information	×
Section H – declaration	×

Electronic Data	Please tick if you have provided spreadsheet
Income statement	×
Turnover – sales summary	×
Australian sales – list of sales to Australia	×
Domestic sales – list of all domestic sales of like goods	×
Third country – third country sales	×
Production – production figures	×
Domestic costs – costs of goods sold domestically	×
Australian costs – costs of goods sold to Australia	×
Third country costs – costs of goods sold to third countries	×

