



Exporter verification report

Verification and case details

Company verified	Zhuhai Grand Kitchenware Co Ltd
Case numbers	646 and 652
Initiation Anti-Dumping Notice (ADN)	Case 646: 2024/028 Case 652: 2024/039
The goods under consideration	Deep drawn stainless steel sinks
Case type	Continuation inquiry
Location	No 155 Airport West Road, Jinwan district, Zhuhai city, Guangdong, People's Republic of China
Verification meeting dates	24/07/2024 to 29/07/2024
Inquiry and review period	1/04/2023 to 31/03/2024

This report details the findings and recommendations of a verification team in the Anti-Dumping Commission.

This report may not reflect the Anti-Dumping Commission's final position.

CONTENTS

CONTENTS 2

1 REPORT SUMMARY 3

1.1 ABOUT THIS REPORT 3

1.2 KEY DUMPING AND SUBSIDY MARGIN RECOMMENDATIONS 3

1.3 KEY VERIFICATION FINDINGS 3

1.4 ABBREVIATIONS IN THIS REPORT 3

2 VARIABLE FACTORS 4

2.1 MAJOR RECOMMENDATIONS 4

2.2 ABOUT THIS CHAPTER 4

2.3 EXPORT PRICE 5

2.4 NORMAL VALUE 8

2.5 DUMPING MARGIN 14

2.6 SUBSIDY MARGIN 14

3 VERIFICATION DETAILS 15

3.1 MAJOR FINDINGS 15

3.2 ABOUT THIS CHAPTER 15

3.3 CORPORATE INFORMATION 15

3.4 DO THE ACCOUNTING RECORDS COMPLY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES? 17

3.5 TYPES OF GOODS PRODUCED OR SOLD IN THE SUBMITTED INFORMATION 17

3.6 METHOD TO VALIDATE INFORMATION 18

3.7 METHOD TO VERIFY INFORMATION AS COMPLETE AND RELEVANT 19

3.8 METHOD TO VERIFY INFORMATION AS ACCURATE 21

3.9 VERIFICATION FINDINGS AND MATERIAL REVISIONS 22

3.10 ADJUSTMENTS TO COMPARE EXPORT PRICE AND NORMAL VALUE 28

4 APPENDICES AND ATTACHMENTS 30

1 REPORT SUMMARY

1.1 About this report

The commission sent out a questionnaire to collect exporter information for continuation inquiry 646 (case 646) and review of measures and revocation review 652 (case 652) into Deep Drawn Stainless Steel Sinks exported from the People's Republic of China (China) during the inquiry and review period.

Zhuhai Grand Kitchenware Co Ltd (Zhuhai Grand) responded to this questionnaire relating to sales from China.

A team of staff from the commission verified the information Zhuhai Grand submitted to assess if the commission should rely on this information. The team met with representatives for Zhuhai Grand to assist the verification.

The commission has reviewed the information submitted by Zhuhai Grand and the findings of the team. This report details the commission's verification findings and recommendations about Zhuhai Grand for cases 646 and 652.

A finding made in this verification report (verification finding) and verification recommendations (verification recommendations) are made in the context of this verification only. These verification findings and verification recommendations may be referred to and relied on in the Statement of Essential Facts and Final Report for cases 646 and 652.

1.2 Key dumping and subsidy margin recommendations

At this point of the inquiry, the commission makes no recommendation on the calculation of the normal value and dumping margin. The commission cannot calculate the normal value at this point of the inquiry as it has not calculated the cost of production and manufacture of like goods. The commission will outline the calculation of normal value and dumping margin in the Statement of Essential Facts.

The commission recommends calculating a subsidy margin of 1.4% at **chapter 2.6**.

1.3 Key verification findings

The commission finds the information Zhuhai Grand submitted is complete, relevant and accurate after material revisions.

For more information on the verification process, see **chapter 3**. For the commission's key verification findings, see **chapter 3.9**.

1.4 Abbreviations in this report

In this report, unless otherwise stated:

- all **sections** cited are from the ***Customs Act 1901 (Cth)***
- all **regulations** cited are from the ***Customs (International Obligations) Regulation 2015 (Cth)***
- the term **ADN** refers to **Anti-Dumping Notice**.

2 VARIABLE FACTORS

2.1 Major recommendations

The commission recommends using more than one section 269TAB method to set an export price at **chapter 2.3**.

The commission recommends that it cannot set a normal value at chapter at **chapter 2.4**.

The commission recommends that it cannot calculate a dumping margin at **chapter 2.5**.

The commission recommends calculating a subsidy margin of 1.4% at **chapter 2.6**.

2.2 About this chapter

2.2.1 Chapter structure

This chapter details the commission's recommendations about how to set the variable factors used to calculate the rates of dumping and countervailable subsidy for goods that Zhuhai Grand produced or sold.

Australian customs law sets out different ways to calculate variable factors based on the facts available.

This chapter briefly describes the meaning of variable factors and its associated terms.

This chapter then summarises the commission's recommendations about how to set:

- an **export price**
- a **normal value**
- a **dumping margin**
- a **subsidy margin**.

2.2.2 What are variable factors?

Variable factors are numerical values that the commission uses to calculate the levels of dumping or countervailable subsidy. By verifying a company's data, the commission aims to set accurate variable factors and accurately calculate the level of dumping or countervailable subsidy.

The commission has explained some concepts relating to variable factors. These explanations are in simple terms and may not reflect the full, technical definitions.

Goods

The goods exported into Australia are **Australian export goods** or the **goods under consideration**.

Goods that are the same or similar to Australian export goods are **like goods**.

Variable factors

Dumping occurs if the price of Australian export goods (the **export price**) is less than the equivalent price of like goods in an exporter's domestic market (the **normal value**).

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The **amount of dumping** is the difference between a normal value and the corresponding export price – that is, the normal value minus the export price.

A **subsidy** is a financial contribution, income support or price support, from a country of export Government, public body or a private body being directed by the Government or public body that confers a benefit to Australian export goods.

The Australian government can cancel out – that is, **countervail** – the effect of a subsidy, if that subsidy is specific to Australian export goods. In other words, a subsidy specific to Australian export goods is a **countervailable subsidy**.

The minimum export price to prevent material injury to an Australian industry is the **non-injurious price**. The commission typically relies on information from Australian industry and other sources to calculate this price, which is beyond the scope of this verification. The commission has therefore not calculated a non-injurious price in this report.

Margins calculated using variable factors

A **dumping margin** is the rate of dumping compared to the export price.

A **subsidy margin** is the rate of countervailable subsidy attributable to Australian export goods.

2.3 Export price

2.3.1 The commission's recommendation

Summary

The commission recommends using more than one section 269TAB method to set an export price.

In more detail

The commission recommends setting an export price for Zhuhai Grand under section 269TAB(1)(a) for sales made directly to Australian customers and under section 269TAB(1)(c) for sales made to a trader based in China, who then sold to Australian customers.

Under this section, an export price is the price paid by the importer to the exporter less transport and other costs arising after exportation.

To calculate an export price using a consistent delivery term for all sales, the commission adjusted some transactions using inland transport and port handling expense adjustments.

Confidential Appendix 1 contains the commission's export price calculations.

2.3.2 General method

Section 269TAB lists different ways to calculate an export price based on the facts available.

The commission considers these questions, among others, before calculating an export price:

- Did the verified company sell goods for Australian export?
- Who is the exporter?
- Who is the importer?

- Did the exporter sell to the importer at arm's length?

In this chapter, the commission summarises its findings about facts that affect how to calculate an export price.

2.3.3 The verified company produced and exported the Australian export goods

The commission finds that Zhuhai Grand produced and exported the Australian export goods during the inquiry and review period.

The commission also assesses if Zhuhai Grand produced or sold the goods for its domestic market at **chapter 2.4.3**.

2.3.4 Who is the exporter?

The commission's finding

The commission found that Zhuhai Grand sold goods directly to Australian customers and indirectly via a trader.

For all direct sales to the Australian customers, the commission considers Zhuhai Grand is the exporter of the Australian export goods because this company:

- produced the Australian export goods
- is named as the supplier on commercial invoices.
- is named as consignor on bills of lading
- arranged and paid for inland transport to the port of export
- arranged and paid for port handling charges at the port of export

For all indirect sales that Zhuhai made to the Australian customers via a trader, the commission considers Zhuhai Grand is the exporter of the Australian export goods because this company:

- produced the Australian export goods
- considered the relevant goods it sold to the trader as destined for export to Australia.

General method

The commission generally identifies an **exporter** as a company, located in the country of export, who is a principal company involved in an Australian export goods transaction. At least one of the following generally also applies for a company to be an exporter:

- the company knowingly transferred the goods to its own vehicle, or to a freight company, to deliver the goods to Australia
- at the time the goods shipped, the company owned or previously owned the goods.

To identify the exporter, the commission typically relies on information about Australian export transactions from stakeholders and Australian Border Force.

2.3.5 Who is the importer?

The commission's finding

For all transactions, the commission considers the company listed as the customer on the commercial invoice is the importer of the Australian export goods. In other words, the

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Australian customer beneficially owned the Australian export goods at the time of import into Australia.

Based on the available evidence, the company listed as the customer on the commercial invoices:

- is named as the consignee on bills of lading
- is named as the importer on import declarations to ABF
- paid for all the importation charges.

General method

An **importer** is the beneficial owner of goods at the time of import. The beneficial owner may differ from the listed or nominal owner of the goods.

For example, a parent company can have direct control over a subsidiary company's assets and decisions. If that parent company lists its subsidiary company as the owner of goods at the time of import, the commission would find that parent company is the importer because it beneficially owns the goods.

To identify the importer, the commission typically relies on information about Australian export transactions provided by stakeholders and Australian Border Force.

2.3.6 The Australian export sales are all at arm's length

The commission's finding

For the Australian export goods sold during the inquiry and review period, the commission finds that Zhuhai Grand

- sold at arm's length to unrelated customers
- did not sell any goods to related customers.

Further details – unrelated customers

For all unrelated customer transactions, the commission finds that Zhuhai Grand sold the Australian export goods **at arm's length** as defined under section 269TAA.

For these transactions, the commission does not find that:

- there was consideration for the goods other than price
- a relationship between a buyer, a seller or their associates appeared to influence the price
- a buyer or buyer's associate directly or indirectly received compensation, reimbursement or another benefit for, or relating to, any part of the price.

For these transactions, the commission notes that Zhuhai Grand

- sold goods at similar prices to all unrelated customers
- appeared to genuinely negotiate the price with unrelated customers.

2.4 Normal value

2.4.1 The commission's recommendation

Summary

At this point of the inquiry, the commission makes no recommendation on the calculation of the normal value.

The commission cannot calculate normal value at this point of the inquiry as it has not calculated the cost of production and manufacture of like goods. The commission will outline the calculation of normal value in the Statement of Essential Facts.

2.4.2 General method

Section 269TAC lists different ways to calculate a normal value based on the facts available.

The commission considers these questions, among others, before calculating a normal value:

- Did the verified company, or a party related to the verified company, sell like goods domestically?
- Were there any domestic sales of like goods?
- Was there a low volume of domestic like goods sales?
- Were the domestic like goods sales at arm's length?
- Were the domestic like goods sales in the ordinary course of trade?
- Does the normal value require adjustments to properly compare it to the export price?

2.4.3 Zhuhai Grand produced and sold like goods for the domestic market

The commission finds that, during the inquiry and review period, Zhuhai Grand produced and sold like goods for domestic home consumption.

The commission finds that these goods were 'like goods' because these domestic goods are identical to, or closely resemble, the Australian export goods. The commission has described its reasons below.

The commission also assesses if Zhuhai Grand produced or sold the goods for Australian export at **chapter 2.3.3**.

Physical likeness

Company does not distinguish between domestic like goods and the Australian export goods during production (production is the same for the exported goods and goods sold in the domestic market, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same).

Production likeness

Company produced all goods at the same facilities, using the same raw material inputs and production processes.

Commercial likeness

All goods compete in the same market sector, are interchangeable and use similar distribution channels.

Functional likeness

All goods are functionally alike, as they have similar end uses.

2.4.4 The domestic sales are all at arm's length

The commission's overall finding

For the domestic like goods sold during the inquiry and review period, the commission finds that Zhuhai Grand:

- sold at arm's length to unrelated customers
- did not sell any goods to related customers.

Further details – unrelated customers

For all unrelated customer transactions, the commission finds that Zhuhai Grand sold the domestic goods **at arm's length** as defined under section 269TAA.

For these transactions, the commission does not find that:

- there was consideration for the goods other than price
- a relationship between a buyer, a seller or their associates appeared to influence the price
- a buyer or buyer's associate directly or indirectly received compensation, reimbursement or another benefit for, or relating to, any part of the price.

For these transactions, the commission notes that Zhuhai Grand

- sold goods at similar prices to all unrelated customers
- appeared to genuinely negotiate the price with unrelated customers.

2.4.5 The production cost data reported is complete, relevant and accurate.

The commission's finding

The commission finds that Zhuhai Grand's recorded cost data is complete, relevant and accurate.

Why the commission assesses production records

We assess the records as part of the cost of production assessment.

The commission's assessment of production cost records for verification purposes includes the following:

- analysing transactions for materials or services supplied by a related party.
- making observations as to whether the exporter's records reasonably reflect the costs associated with the production or manufacture of like goods.
- ensuring the exporter's production costs records are complete, relevant and accurate (as detailed in chapter 3).

2.4.6 Were domestic sales in the ordinary course of trade?

General method

The commission assesses if domestic like goods sold in the ordinary course of trade before selecting which method to recommend for setting a normal value under section 269TAC.

Section 269TAAD sets out which sales are in the ordinary course of trade. Under this section, a domestic like goods sale is **not** in the ordinary course of trade if the conditions below apply to the sale:

- the sale is **unprofitable in substantial quantities** over an extended period
- the sale is **unlikely to be recoverable** within a reasonable period.

The commission typically uses this method to assess each step of identifying a sale not in the ordinary course of trade.

1. A sale is **unprofitable** if its unit price is less than the corresponding unit cost to make and sell in the sales month or sales quarter
2. All sales for a model are unprofitable **in substantial quantities** if the volume of unprofitable sales is 20% or more of the total volume of sales
3. A sale is **unlikely to be recoverable** if its unit price is less than the corresponding unit cost to make and sell for the entire reasonable period.

The commission's method

The commission cannot assess whether the exporter's sales of like goods in the inquiry period were in the ordinary course of trade as the commission has not yet calculated the cost of production or manufacture of the like goods sold in the inquiry period. However, the following outlines the commission's proposed findings concerning other factors relevant to assessment of sales in the ordinary course of trade. The commission's full determination concerning sales in the ordinary course of trade will be outlined in the Statement of Essential Facts.

The following table summarises the figures the commission proposes to use to assess if Zhuhai Grand's domestic like goods sales are in the ordinary course of trade.

Component	Details
Extended unprofitability period	The inquiry period
Reasonable recoverability period	The inquiry period
Price	Net invoice price
Cost	To be determined
Weighted average cost	To be determined
Date of sale: Australian exports	Inventory stock-out notice date
Date of sale: domestic	Inventory stock-out notice date

Table 1 Ordinary course of trade assessment details

Zhuhai Grand claimed the sales for domestic like goods and goods exported to Australia should use the inventory stock-out notice date instead of the invoice date as the date of sale. The commission considered the following when assessing this claim:

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- For domestic sales and Australian export sales to direct customers, the stock-out notice date reflected the date at which Zhuhai Grand recorded sales revenue in its audited financial reporting.
- There were material variations in quantity between the purchase order date and the stock-out notice date for some sampled Australian export and domestic sales.
- There were no material variations in quantity or price identified after the stock-out notice date in the source documents for any sampled Australian export or domestic sales.
- Zhuhai Grand did not prepare commercial invoices for sales to some customers, meaning those sales had no corresponding invoice date.
- For sales made indirectly to export customers via a trader, Zhuhai Grand only issued VAT invoices after exportation – in those instances, the VAT invoice date approximated the exportation date but not necessarily the date of sale.

The commission is satisfied that the inventory stock-out notice date should be the date of sale based on this evidence.

2.4.7 Is there a low volume of relevant domestic sales?

About this chapter

Under section 269TAC(1), the commission must set a normal value using a sufficient volume of domestic like goods.

If the commission uses a low volume of domestic like goods to set a normal value, then the normal value does not properly compare to the export price when measuring the level of dumping and the commission cannot set a normal value under section 269TAC(1).

To assess if there is a large enough volume of domestic sales to set a normal value under section 269TAC(1), the commission must compare the domestic and Australian export sales volumes for an exporter. If the domestic sales volume is less than 5% of the Australian export sales volume, the commission must also assess if the domestic sales volume is still large enough to use in a normal value that properly compares to the export price.

The commission uses this method to compare domestic and Australian export sales volumes both overall and for each model sold as Australian export goods. When comparing sales volumes for an individual model, the commission may use a surrogate domestic sales model to calculate normal value for the Australian export sales model.

Section 269TAC(14) sets this sufficiency test for dumping investigation cases. The commission also uses this sufficiency test when setting a normal value in other case types.

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The figure below summarises the possible outcomes when assessing domestic sales volumes to use in a normal value set under section 269TAC(1).

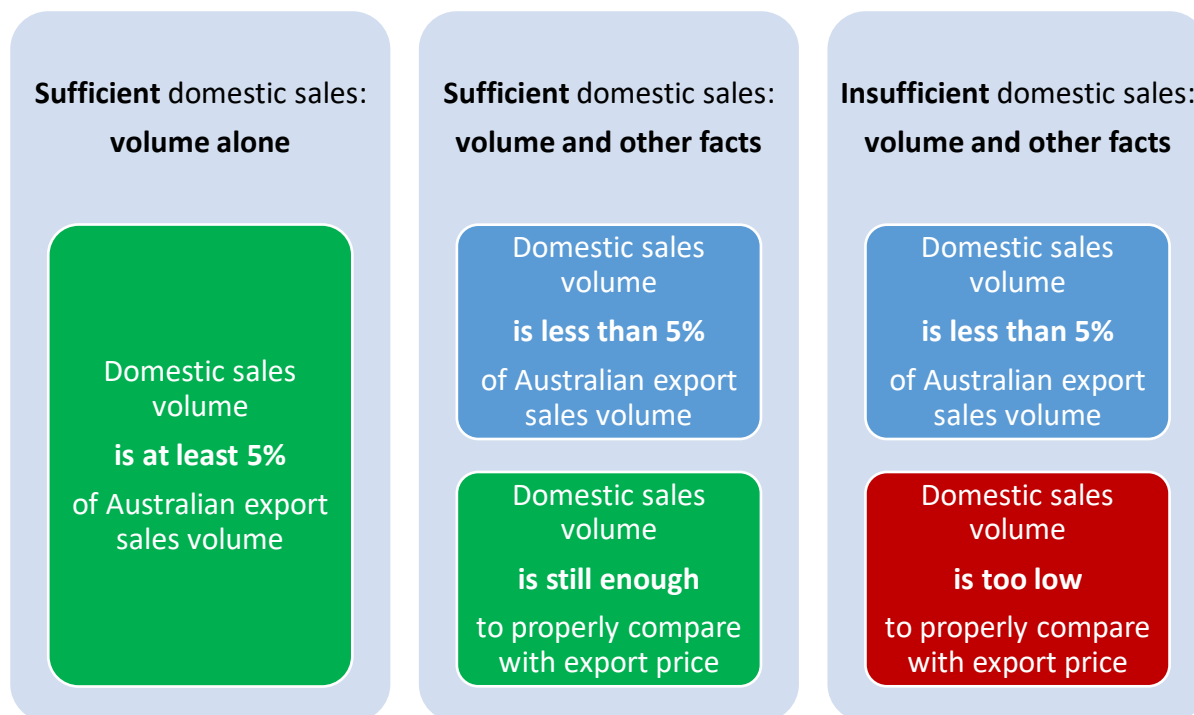


Figure 1 Possible findings about domestic sales volumes for section 269TAC(1) normal value

The commission's finding about total sales volume

The commission is not yet able to determine if the exporter's volume of domestic sales in the ordinary course of trade on the basis it is still considering the suitability of the exporter's cost of production records. The commission's full determination concerning sales in the ordinary course of trade will be outlined in the Statement of Essential Facts.

2.4.8 Summary of adjustments to the normal value

The commission proposes that the following adjustments will be necessary to properly compare the export price of Australian export goods to the corresponding normal values, whether they are made under section 269TAC(8) or 269TAC(9), pending further consideration. A recommendation on the appropriate section will be made in the Statement of Essential Facts.

Adjustment description	How to apply an amount for adjustment
Domestic inland transport	Deduct
Domestic packaging	Deduct
Domestic other expenses	Deduct
Accessories adjustment	Adjust
Export packaging	Add
Export inland transport	Add
Export port handling	Add
Export credit terms	Add

Table 2 Summary of adjustments

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The commission details how it assessed normal value adjustments at **chapter 3.10**.

2.5 Dumping margin

As outlined in **chapter 2.4**, the commission did not calculate a normal value. The commission therefore could not calculate a dumping margin for the goods Zhuhai Grand exported to Australia in the inquiry period.

The commission will calculate a dumping margin and describe its calculation in the Statement of Essential Facts.

2.6 Subsidy margin

The commission recommends calculating a subsidy margin of **1.4%**.

The commission found that Zhuhai Grand received a benefit in relation to preferential tax rate and financial grant programs. The commission attributed and allocated the received benefit to the Australian export goods as follows:

Program number	Program name	Attribution and allocation of the subsidy
24	Preferential tax for high tech enterprises	Identified as an existing subsidy from <i>Final Report No 238</i> . Attributed amount of benefit from received from paying a lower amount of income tax as a result of this program to all the company's sales over financial year 2023. Allocated the benefit to the goods based on the net revenue over the period.
37	Pre-tax deduction for enterprises of R&D expenses	Identified as an existing subsidy from <i>Final Report No 517</i> . Allocated based on the total value of R&D deducted from taxable income in financial year 2023, multiplied by the income tax rate Zhuhai Grand paid for that year.

Table 3 Subsidy programs

The commission detailed the subsidy margin calculation in **confidential appendix 5**.

3 VERIFICATION DETAILS

3.1 Major findings

The commission finds the information Zhuhai Grand submitted is complete, relevant and accurate after material revisions.

3.2 About this chapter

This chapter details what the commission found when verifying Zhuhai Grand's questionnaire response for cases 646 and 652.

This chapter first summarises verified key details about Zhuhai Grand, relating to:

- corporate operations and structure
- accounting records
- the range of goods produced or sold.

This chapter outlines the commission's method to verify and validate Zhuhai Grand's submitted information.

This chapter then summarises the commission's assessment of Zhuhai Grand's submitted information. This summary includes a list of material revisions made to this information before the commission finalised the verification.

3.3 Corporate information

3.3.1 Company information

Zhuhai Grand Kitchenware Co Ltd (Zhuhai Grand)¹ was established in 1994 and is a wholly owned subsidiary of Guangdong Foreign Trade Import and Export Co Ltd (GFTIEC). Zhuhai Grand and its parent company GFTIEC are state-invested enterprises (SIEs) with the largest ultimate shareholder being the government of Guangdong Province.

Zhuhai Grand is a manufacturer and exporter of the goods under consideration selling them both in the domestic and overseas markets.

Zhuhai Grand is not publicly listed and does not trade under any other names or brands.

3.3.2 Related companies

The commission examined the relationships between Zhuhai Grand and the parties involved in it producing or selling the goods.

The commission found no related party customers or suppliers involved in Zhuhai Grand producing or selling the goods during the inquiry and review period.

¹ Known in Chinese as 珠海广鑫厨卫科技有限公司.

3.3.3 Production process and cost allocation

Zhuhai Grand's production process in relation to the goods is as follows:

1. Zhuhai Grand purchases stainless steel in coils which are the raw materials. There are various thicknesses of the coils. The thickness of the coils used depends on the finished product (sinks) thickness.
2. Zhuhai Grand staff cut the coils into stainless steel sheets of different sizes.
3. Zhuhai Grand staff operate pressing machines, which shapes the metal sheet into a mould. There are two pressing procedures. The first pressing procedure is for the shaping of the bowl, and the second is for defining the edge of the sink.
4. Zhuhai Grand staff perform welding, which is only required for connecting two or more sink bowls together, or for connecting the bowl to a drainer board. For single bowl sinks with no drainer board, there is no welding.
5. Zhuhai Grand staff perform sanding to achieve a satin finish for the sinks.
6. Zhuhai Grand staff clean the sinks to remove dust and any dirt from production.
7. Zhuhai Grand staff operate machines to wax the sinks, to subsequently achieve a polished finish.
8. Zhuhai Grand staff move the sinks to a floor in the factory building which Zhuhai Grand uses for packaging. The finished product exits the production process and moves to the warehouse which is in the same building as the factory.
9. Zhuhai Grand staff load the goods on pallets, and into containers, and subsequently load the trucks for the transportation of the goods to the customer.

Table 4 outlines how the commission allocated each cost component.

Cost component	Allocation method applied
Raw materials	<p>Allocated based on the consumption of stainless-steel sheet for each sink shape.</p> <p>Zhuhai Grand calculated the consumption based on the weight of the stainless-steel on a quarterly basis, which Zhuhai Grand attained from its bill of materials. Zhuhai Grand's bill of materials also contained the cost of stainless-steel per sink piece, for each sink shape.</p>
Scrap offset	<p>Allocated based on the weight of the stainless-steel scrap on a quarterly basis.</p> <p>Zhuhai Grand calculated the scrap offset for each product code with reference to the weight difference between the weight of the first semi-finished product (i.e. the steel coil after cutting) and the weight of the finished product. Zhuhai Grand then multiplied this weight difference by the quarterly weighted average scrap selling price, to attain the scrap offset for each product code.</p>
Direct labour	<p>Allocated to each product code based on the accounting system direct labour percentage proportion of cost to make</p> <p>Zhuhai Grand's accounting system separately records the direct labour and manufacturing overheads relating to semi-finished goods, by product code. Zhuhai Grand obtained the direct labour and manufacturing overhead values (combined) relating to finished goods, and used the accounting system direct labour and manufacturing overheads proportions (for semi-finished goods) to calculate the direct labour pertaining to finished goods.</p>

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Cost component	Allocation method applied
Manufacturing overheads	<p>Allocated to each product code based on the accounting system manufacturing overheads percentage proportion of cost to make.</p> <p>Zhuhai Grand's accounting system separately records the direct labour and manufacturing overheads relating to semi-finished goods, by product code. Zhuhai Grand obtained the direct labour and manufacturing overhead values (combined) relating to finished goods, and used the accounting system direct labour and manufacturing overheads proportions (for semi-finished goods) to calculate the manufacturing overheads pertaining to finished goods.</p>
Depreciation	<p>Zhuhai Grand reported depreciation relating to cost to make, within manufacturing overheads. Accordingly, Zhuhai Grand allocated depreciation to each product code in the same manner as it allocated manufacturing overheads.</p>

Table 4 Cost allocation method

3.4 Do the accounting records comply with generally accepted accounting principles?

The commission finds that Zhuhai Grand's accounting records for the inquiry and review period comply with the generally accepted accounting principles of China.

Guangdong Zhongtian Certified Public Accountants Firm audited Zhuhai Grand's financial statement and included a statement that the financial accounts comply with the Chinese Certified Public Accountant Auditing Standards in its 2023 financial year audited financial report.

3.5 Types of goods produced or sold in the submitted information

3.5.1 Model control code compliance and amendments

The sales and costs data Zhuhai Grand submitted complies with the model control code (MCC) structure detailed in ADN 2024/028.

After comparing prices of different models of the goods, the commission does not recommend amending the MCC structure.

3.5.2 Verification of model control codes

Table 5 details how the commission determined MCC sub-categories and verified them to source documents.

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Category	Sub-category verification method
Number of bowls and bowl shape	Verified based on: <ul style="list-style-type: none"> • product codes indicating the number of bowls • product descriptions in the accounting system • product descriptions on purchase orders, order confirmation notices and commercial invoices • product catalogue photographs with corresponding product code • product catalogue diagrams with corresponding product code • Zhuhai Grand's internal product specification worksheet.
Number of drainer boards	Verified based on: <ul style="list-style-type: none"> • product codes indicating the number of bowls • product descriptions in the accounting system • product descriptions on purchase orders, order confirmation notices and commercial invoices • product catalogue photographs with corresponding product code • product catalogue diagrams with corresponding product code • Zhuhai Grand's internal product specification worksheet.
Total sink capacity (litres)	Verified based on Zhuhai Grand's internal product specification worksheet and cross-checking with sample product diagrams.

Table 5 MCC sub-category determination

3.5.3 List of model control codes

Zhuhai Grand both produced and sold the following MCCs during the inquiry and review period:

MCC	Australian sales	Australian CTM	Domestic sales	Domestic CTM
1BWL-0DB-A	Yes	Yes	Yes	Yes
1BWL-0DB-B	Yes	Yes	Yes	Yes
1BWL-1DB-A	Yes	Yes	Yes	Yes
1BWL-1DB-B	Yes	Yes	No	No
1BWL-2DB-A	Yes	Yes	Yes	Yes
1BWLR-0DB-A	Yes	Yes	Yes	Yes
1BWLR-1DB-A	Yes	Yes	Yes	Yes
2BWL-0DB-B	Yes	Yes	Yes	Yes
2BWL-0DB-C	Yes	Yes	Yes	Yes
2BWL-1DB-A	Yes	Yes	Yes	Yes
2BWL-1DB-B	Yes	Yes	Yes	Yes
2BWL-1DB-C	Yes	Yes	Yes	Yes
2BWL-2DB-B	Yes	Yes	No	Yes
2BWLR-1DB-B	No	No	Yes	Yes

Table 6 List of MCCs produced or sold

3.6 Method to validate information

3.6.1 Valid information is complete, relevant and accurate

A valid exporter questionnaire response includes data listings about sales, costs and subsidy programs.

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Before relying on submitted data listings, the commission first verifies if these listings are:

- **complete**, as in, including all the relevant data
- **relevant**, as in, including only relevant data
- **accurate**, as in, including only correct data.

In practice, the commission typically verifies data listings as complete and relevant at the same time.

3.6.2 Further detail about the commission's typical process

[ADN 2016/30](#) describes the commission's standard procedure to verify and validate stakeholder information.

This report summarises how the commission verified Zhuhai Grand in **chapters 3.7 and 3.8**. Unless otherwise stated, the commission's verification method is consistent with ADN 2016/30.

The commission details its process and findings in the verification work program at **confidential attachment 1**.

3.7 Method to verify information as complete and relevant

3.7.1 The commission's general method

The commission verifies data listings as complete and relevant by reconciling each listing's sum total up to audited financial records.

The commission typically reconciles a listing to audited records incrementally. The commission typically links a listing subtotal to management accounts, then links those management accounts to the audited records.

Figure 2 outlines how the commission verifies different topics as complete and relevant.

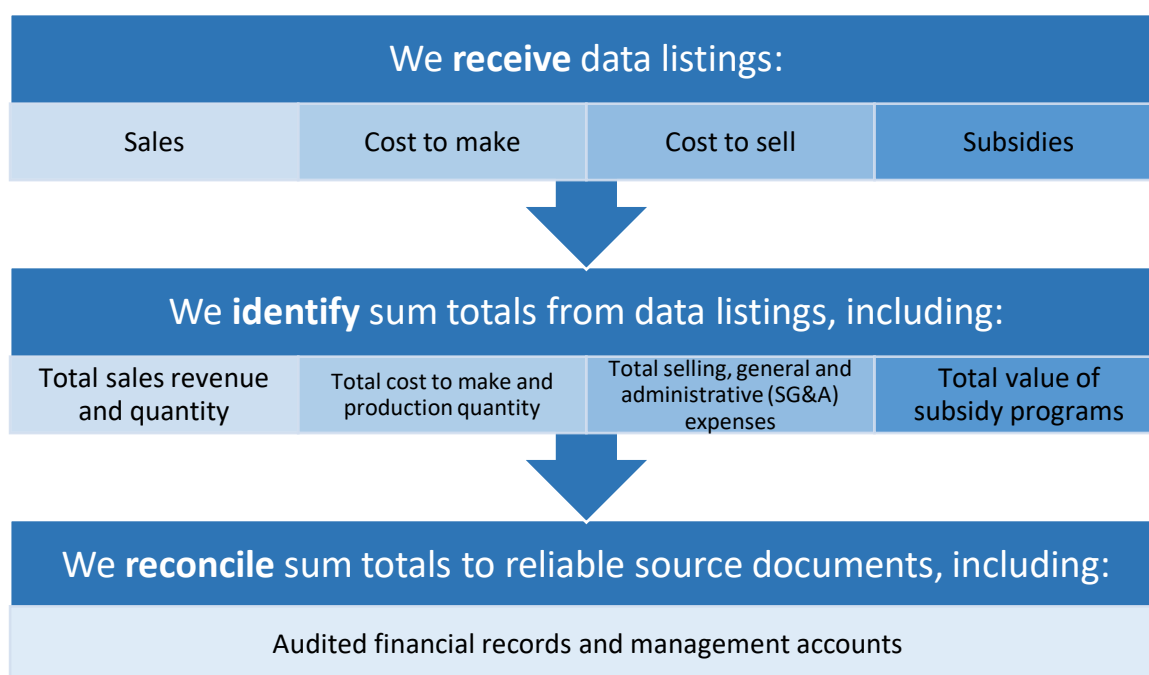


Figure 2 How the commission verifies data as complete and relevant

3.7.2 How the commission applied the commission's method

The commission followed the commission's general verification method, described above, to assess if the submitted information is complete and relevant. See below for more details.

Sales

The commission:

1. Reconciled the total sales revenue for calendar year 2023 in Zhuhai Grand's audited financial statement to its accounting system.
2. Reconciled the total sales revenue for the inquiry period to its trial balance in the accounting system.
3. Reconciled the total sales revenue in Zhuhai Grand's accounting systems to its sales stock out records listing for the inquiry period.
4. Examination of source documents to support the data.

Cost to make

The commission:

1. reconciled the 1 January to 31 December 2023 cost of goods sold (COGS) value for all products to the audited financial report and the accounting system.
2. reconciled the inquiry period COGS for all products to the accounting system.
3. reconciled the inquiry period COGS for all sinks to the accounting system.
4. verified the inquiry period change in finished goods inventory for all sinks to the accounting system.
5. verified the inquiry period cost to make for all sinks to the accounting system.
6. verified the inquiry period cost to make for all pressed sinks to the accounting system.
7. verified the classifications of goods, exempt goods, and non-goods with respect to the inquiry period cost to make for all pressed sinks.
8. verified the cost to make destination market classifications of the goods and exempt goods (i.e. the domestic, Australian and third country markets).

Cost to sell

The commission:

1. reconciled the 1 January to 31 December 2023 SG&A value from the audited financial statement to the REQ SG&A listing and the income statement in the accounting system.
2. reconciled the inquiry period SG&A value from the REQ to the income statement in the accounting system.
3. verified the accuracy of various SG&A accounts for the inquiry period, using the relevant general ledgers and accounting vouchers from the accounting system.
4. ensured that the REQ inquiry period SG&A captured relevant SG&A accounts using the accounting system.

Subsidies

The commission identified the following subsidy types:

1. tax benefits
2. financial grants.

PUBLIC RECORD

The commission:

1. reconciled tax benefits by identifying the taxable income payable in Zhuhai Grand's income tax return and corresponding general ledger transactions for financial year 2023.
2. reconciled financial grants by identifying the pre-tax deductions classifiable as financial grants in Zhuhai Grand's income tax return for financial year 2023.

3.8 Method to verify information as accurate

3.8.1 The commission's general method

To verify the listings are accurate, the commission typically reconciles key data from a selection of transactions in the listings down to source documents.

Figure 3 outlines how the commission verifies different topics as accurate.

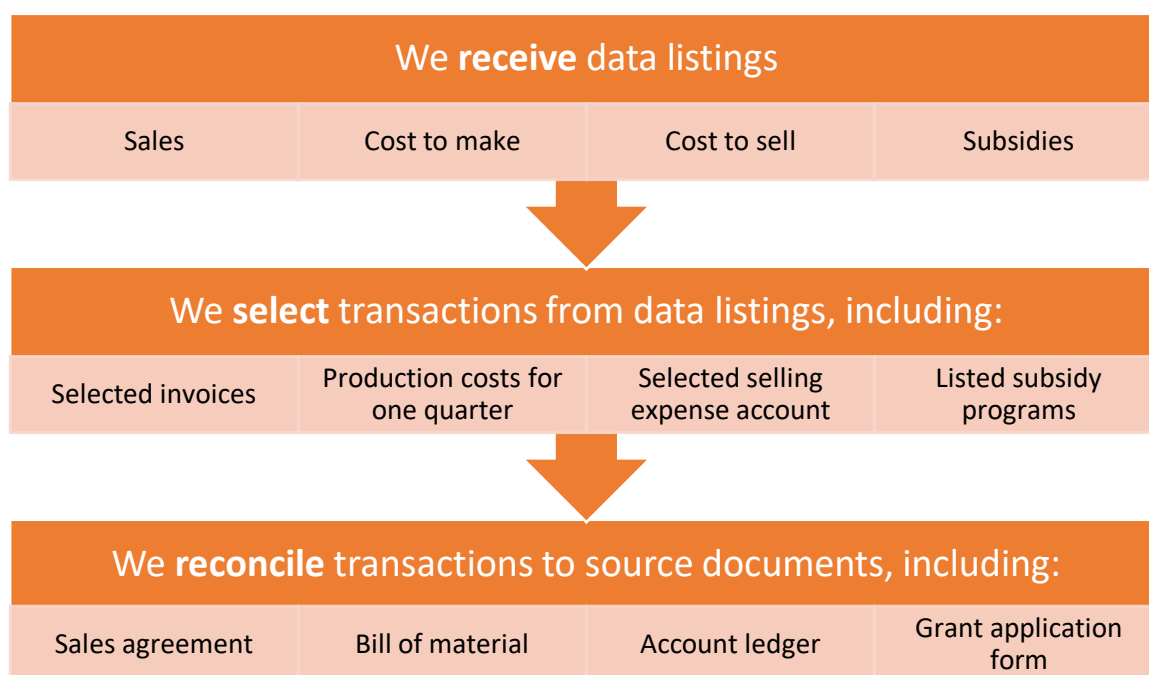


Figure 3 How the commission verifies data as accurate

3.8.2 How the commission applied the commission's method

Following the commission's general method, described above, the commission verified the submitted information as accurate by verifying the listings down to source documents.

3.9 Verification findings and material revisions

3.9.1 The submitted information is complete and relevant

Overall

The commission finds that the information Zhuhai Grand submitted is complete and relevant after material revisions.

Sales

Material revision 1: Incorrect identification of exempt GUC and non-GUC

Description: For goods that are GUC but exempt from measures, Zhuhai Grand identified them as non-GUC in the exports sales listing.

Resolution: Zhuhai Grand provided a revised exports sales listing to include a column that identifies the GUC, non-GUC and exempt GUC.

Material revision 2: Incorrect identification of all purchased sinks as non-GUC

Description: Zhuhai Grand identified all purchased sinks as non-GUC in the exports sales listing.

Resolution: Zhuhai Grand reclassified purchased sinks as GUC where appropriate.

Zhuhai Grand also provided a revised exports sales listing to include a column that identifies whether the goods were manufactured or purchased, and a column to indicate if goods were GUC, non-GUC or exempt GUC.

Material revision 3: Incorrect identification of special sales

Description: Special sales (of samples and compensation) were included in the sales listing but not identified as such.

Resolution: Zhuhai Grand provided a revised domestic sales listing to include a column that identifies special sales. The team found it appropriate to exclude special sales from the final sales listing.

Material revision 4: Removal of sales from the domestic sales listing

Description: Zhuhai Grand included sales that recorded a 'customer name' corresponding to the international branch of an online sales platform.

Zhuhai Grand stated that sales to this online platform were always export sales but did not know the destination country.

Resolution: The team reviewed source documents relating to a sample sale via this customer and consider Zhuhai Grand's statements are accurate.

The team excluded sales to this customer from the domestic sales listing because these sales were not for domestic home consumption.

The team did not add these sales to the Australian export or third country export sales listings because it was not possible to identify the destination of these sales.

PUBLIC RECORD

Material revision 5: Domestic date of sale outside the inquiry period

Description: Some sales included in the domestic sales listing were made before the inquiry period.

Resolution: The team excluded all sales where the date of sale was outside the inquiry period from the domestic sales listing.

Cost to make

Material revision 6: Recalculation of direct labour and manufacturing overheads in cost to make listings

Description: During verification the commission found that Zhuhai Grand reported direct labour and manufacturing overheads which were overstated, as the expenses double counted the expenses for semi-finished goods. Zhuhai Grand therefore adjusted the expenses to attain the direct labour and manufacturing overheads for finished goods only.

Zhuhai Grand adjusted the expenses using a cost allocation method based on production quantity. However, the commission found that Zhuhai Grand had sufficient information to perform the adjustment on a product code level. The commission found that the product code level adjustment method was more appropriate.

Resolution: Zhuhai Grand revised its cost to make worksheet to perform the adjustment on a product code level, using the accounting system cost proportions for direct labour and manufacturing overheads.

Material revision 7: Reclassifications of product classifications in the cost worksheet

Description: Zhuhai Grand based the Australian and domestic REQ cost to make listings on a cost to make worksheet which included the cost data for all sales markets. In this cost to make worksheet, Zhuhai Grand classified each product code as 'goods' and 'non-goods'. However, the commission needed Zhuhai Grand to classify each product code in the worksheet as 'goods', 'non-goods', and also 'exempt goods'. The commission obtained various information from Zhuhai Grand to be satisfied of the correct classifications for each product code.

Resolution: The commission reclassified the cost worksheet to correctly classify each product code, based on the three categories. The commission updated the Australian and domestic cost to make listings accordingly.

PUBLIC RECORD

Material revision 8: Reclassification of destination country in the cost worksheet

Description: Zhuhai Grand allocated production costs to the domestic and Australian export cost to make listings by identifying the customer corresponding to each production order.

Zhuhai Grand classified some production orders as domestic but classified the corresponding sales order as Australian export or third country export products. The verification team identified the inconsistency by comparing Zhuhai Grand's working files used to prepare the production and sales listings.

Resolution: The verification team revised Zhuhai Grand's cost to make listings to reflect the sales destination corresponding to the production order based on information Zhuhai Grand provided.

The sales information the verification team relied on did not include information about sales orders where Zhuhai Grand set sales revenue as after the end of the inquiry period.

The verification team excluded production cost data for production orders Zhuhai Grand classified as 'domestic' without corresponding sales order data available (where sales revenue was not recorded until after the end of the inquiry period). For these production orders, the verification team considers it could not verify if Zhuhai Grand correctly identified the destination market.

Cost to sell

Material revision 9: Removal of foreign exchange gains/losses from SG&A

Description: The commission identified the foreign exchange gain and loss accounts in Zhuhai Grand's inquiry period REQ SG&A listing. The commission notes that both of these accounts individually reduced SG&A, and collectively represented less than 1% of total SG&A.

Resolution: Based on the information that Zhuhai Grand provided, the commission found it appropriate to remove the values relating to the foreign exchange gain and loss accounts, from SG&A.

Subsidies

Material revision 10: Revised list of grants

Description: Zhuhai Grand identified it had received a pre-tax deduction based on its research and development expenses. This deduction was identified as a grant and countervailable subsidy in a previous case, as stated in *Final Report No 517*, but Zhuhai Grand did not include this deduction in its grant listing.

Resolution: The team revised Zhuhai Grand's grant listing to include the pre-tax deduction for research and development expenses.

3.9.2 The submitted information is accurate

Overall

The commission finds that the information Zhuhai Grand submitted is accurate after material revisions.

PUBLIC RECORD

Sales

Material revision 11: Inconsistency between per-category MCC and full MCC columns

Description: MCC category classifications were inconsistent between per-category and the full MCC columns.

Resolution: Zhuhai Grand provided all required MCC categories and full MCCs for each line of goods in the domestic sales listing. However, for some lines, the full MCC provided in a separate column differs from the combined MCC categories. Zhuhai Grand has provided a revised domestic sales listing to correct the MCCs.

Material revision 12: Correction of invoice date for Australian export sales made via a trader

Description: Zhuhai Grand provided revised export sales listings during verification with differing invoice dates for Australian export sales made via a trader.

Based on the team's verification of sample sales to source documents, the invoice date for Zhuhai Grand's Australian export sales made via a trader should reflect the VAT invoice date, corresponding to the invoice date recorded for these sales in Zhuhai Grand's internal sales extract.

Resolution: The team revised Zhuhai Grand's Australian export sales listing using the VAT invoice date as the invoice date for sales made via a trader.

Material revision 13: Correction of shipping terms in the export sales listing

Description: Some FOB sales were reported as EXW or CIF Melbourne in the exports sales listing.

Resolution: Zhuhai Grand provided a revised exports sales listing to correct the shipping terms.

Material revision 14: Incorrect allocation of inland transport costs for EXW sales

Description: Inland transport was allocated to some EXW sales.

Resolution: Zhuhai Grand provided a revised exports sales listing removing inland transport from its EXW sales.

Material revision 15: Incorrect allocation of inland transport costs for EXW sales

Description: Inland transport expenses were double-counted for one invoice.

Resolution: The team revised the inland transport expenses to apportion the total inland transport expenses without double-counting.

Material revision 16: Inland transport costs only allocated to the sales of sinks

Description: Inland transport was allocated to the sales of sinks only.

Resolution: Zhuhai Grand provided a revised exports sales listing to correctly allocate inland transport across all goods exported to the Australian market.

PUBLIC RECORD

Material revision 17: Change in allocation of inland transport and port charges from pieces to value

Description: Zhuhai Grand allocated inland transport and port handling expenses based on the actual expenses incurred for the sales invoice. Zhuhai Grand apportioned the total expenses to each item in the invoice based on the quantity sold in pieces for each item (as a proportion of total invoice quantity). For invoices that included item lines for sinks and separate lines for accessories or other items, the unit value of 'pieces' did not reliably represent the relative size or weight of an item in the shipment.

The team reviewed possible allocation methods and identified it would be more accurate to allocate expenses to each item based on its proportional value in the total invoice price.

Resolution: Zhuhai Grand provided a revised exports sales listing to allocate these charges by value.

Material revision 18: Missing date of sale

Description: Some sales within the domestic sales listing did not have a date of sale.

Resolution: For those sales missing a date of sale, the team found it appropriate to use the relevant inventory stock-out date as reported in Zhuhai Grand's sales records.

Cost to make

Material revision 19: Corrections of raw material thickness in the raw material purchase listing

Description: The commission found that for various raw material purchase invoice numbers from the REQ raw material purchase listing, the raw material description (being the millimetre thickness of the stainless steel) from the purchase invoice did not match the purchase listing.

Resolution: Where relevant, the commission used the accounting system raw material purchase ledger, and the purchase invoices, to correct the thickness data in the purchase listing.

Material revision 20: Invoice date corrections in the raw material purchase listing

Description: The commission found that the REQ raw material purchase listing included one purchase with an invoice date in March 2023, and two purchases with invoice dates in May 2024. These invoices relate to invoice dates outside the inquiry period. For the March 2023 purchase, the commission found that based on source documents and Zhuhai Grand's system data extractions, the purchase was not invoiced in the inquiry period. For the May 2024 purchases, the commission found, with reference to source documents, that Zhuhai Grand mistakenly entered the year in the purchase listing as 2024, when the correct year was 2023.

Resolution: The commission removed the March 2023 purchase from the purchase listing. The commission changed the dates of the two invoices that originally had dates during May 2024, replacing the year '2024' with '2023'.

PUBLIC RECORD

Material revision 21: Removal of a non-raw material purchase from the raw material purchase listing

Description: The commission found that the REQ raw material purchase listing included one purchase with a description which the commission translated from Chinese to English, that stated 'metal products, stainless steel sink'. The commission is not satisfied that this purchase was a raw material purchase.

Resolution: The commission removed the purchase from the listing.

Material revision 22: Removal of a non-goods related raw material purchase from the raw material purchase listing

Description: The commission found that the REQ raw material purchase listing included two purchases which represented steel plate that Zhuhai Grand did not use to produce the goods. The commission found this to be the case, based on the thickness of the steel plate.

Resolution: The commission removed these purchases from the listing.

Cost to sell

No material revisions identified.

Subsidies

Material revision 23: Revised turnover attributable to the goods under consideration and like goods

Description: Zhuhai Grand prepared a turnover spreadsheet relevant to calculating the value of subsidy attributable to the goods. Zhuhai Grand relied on its classification of goods under consideration and like goods. The team found that Zhuhai Grand classified some products differently than the team's understanding.

Resolution: The team revised Zhuhai Grand's turnover for financial year 2023 and the inquiry period to reflect the revised classification of goods under consideration.

3.10 Adjustments to compare export price and normal value

The commission lists the adjustments it proposes to recommend in this report at **chapter 2.4.8**.

The commission assessed the proposed adjustments to properly compare the export price for Australian export goods to the corresponding normal value.

Adjustment type	Adjustment assessment	Evidence and proposed calculation method	Who claimed this adjustment?	Did the commission apply this adjustment?
Domestic inland transport	Zhuhai Grand incurred different inland transport expenses for domestic and export sales.	Zhuhai Grand calculated the domestic inland transport costs based on actual costs incurred and allocated to each transaction by sales value. The adjustment is applied by using the total inland transport costs incurred on domestic sales and divided by the total sales quantity in pieces.	The verified company	Proposed to apply if applicable
Domestic packaging	Zhuhai Grand packaged goods in different ways depending on customer preference. Zhuhai Grand calculated packaging expenses based on the weight of the product, which did not directly correlate to the number of sinks.	Zhuhai Grand calculated a unit per-kg weight packing expense based on total monthly packaging costs and total production quantity in kg. Zhuhai Grand then apportioned the monthly per-kg packing expense to each production order based on the production order quantity in kg.	The verified company	Proposed to apply if applicable
Domestic other expenses	Zhuhai Grand provided installation and other services on some domestic sales. The expenses for these services was embedded in the total sales price for the relevant transaction.	Zhuhai Grand recorded actual expenses incurred for other services and apportioned it to the relevant goods on per quantity in pieces.	The verified company	Proposed to apply if applicable
Accessories adjustment	The MCC categories used in the normal value calculation do not account for price differences between Australian export and domestic sales of the same MCC category.	The team adjusted based on the weighted average difference in accessories cost recorded in Zhuhai Grand's CTM listings for Australian export and domestic CTM.	The commission	Proposed to apply if applicable

PUBLIC RECORD

Adjustment type	Adjustment assessment	Evidence and proposed calculation method	Who claimed this adjustment?	Did the commission apply this adjustment?
Export packaging	<p>Zhuhai Grand packaged goods in different ways depending on customer preference.</p> <p>Zhuhai Grand calculated packaging expenses based on the weight of the product, which did not directly correlate to the number of sinks.</p>	<p>Zhuhai Grand calculated a unit per-kg weight packing expense based on total monthly packaging costs and total production quantity in kg.</p> <p>Zhuhai Grand then apportioned the monthly per-kg packing expense to each production order based on the production order quantity in kg.</p>	The verified company	Proposed to apply if applicable
Export inland transport	Zhuhai Grand incurred different inland transport expenses for domestic and export sales.	<p>Zhuhai Grand calculated the inland transport costs based on actual costs incurred and allocated to each transaction by sales value.</p> <p>The adjustment is applied by using the total inland transport costs incurred on Australian exports and divided by the total sales quantity in pieces.</p>	The verified company	Proposed to apply if applicable
Export port handling	Zhuhai Grand incurred port handling charges for its Australian export sales but not domestic sales.	<p>Zhuhai Grand calculated the port handling charges based on actual costs incurred and allocated to each transaction by sales value.</p> <p>The adjustment is applied by using the total inland transport costs incurred on Australian exports and divided by the total sales quantity in pieces.</p>	The verified company	Proposed to apply if applicable
Export credit terms	Zhuhai Grand provided credit terms in its Australian export sales but not its domestic sales.	Calculated the average interest rate for the POI based on the Bank of China's one-year loan prime rate.	The verified company	Proposed to apply if applicable

Table 7 Assessment of adjustments

4 APPENDICES AND ATTACHMENTS

Confidential appendix 1: Export price

Confidential appendix 2: Cost to make and sell [not available]

Confidential appendix 3: Normal value [not available]

Confidential appendix 4: Dumping margin [not available]

Confidential appendix 5: Subsidy margin

Confidential attachment 1: Verification work program