



Exporter verification report

Verification and case details

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| Companies | Primy Corporation Ltd and Zhuhai Dali Kitchen and Bathroom Technology Co., Ltd | | |
| Case number | 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 / Review of measures | | |
| Location | 88 Yuejin Road, Pingsha Town, Zhuhai, China | | |
| Other sites visited | 220 Dexiang Road, Pingsha Town, Zhuhai, China | | |
| Verification meeting dates | 31/07/2024 | to | 6/08/2024 |
| 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.

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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.

Primy Corporation Ltd (Primy) and Zhuhai Dali Kitchen and Bathroom Technology Co., Ltd (Dali) responded to this questionnaire relating to sales from China.

A team of staff from the commission verified the information submitted to assess if the commission should rely on this information by visiting at Primy's and Dali's premises in China between 31 July 2024 and 6 August 2024 and there conducting an on-site verification. The team there met with representatives for Primy and Dali to assist the verification.

The commission has reviewed the information submitted and the findings of the team. This report details the commission's verification findings and recommendations about Primy and Dali for case 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 in case 646 and 652.

1.2 Key dumping and subsidy margin recommendation findings

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.

Dali reported receiving grants and reduced taxation rates from entities that may satisfy the definition of a public body. The commission's assessment of these programs and the subsidy margin will be outlined Statement of Essential Facts.

1.3 Key verification findings

The commission finds the information Primy and Dali 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)***

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- the term **ADN** refers to **Anti-Dumping Notice**.

2 VARIABLE FACTORS

2.1 Major recommendations

The commission recommends using section 269TAB(1)(c) 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**.

Dali reported receiving grants and reduced taxation rates from entities that may satisfy the definition of a public body. The commission's assessment of these programs and the subsidy margin will be outlined in the Statement of Essential Facts.

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 Dali 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**).

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 section 269TAB(1)(c) to set an export price.

In more detail

The commission recommends setting an export price for Dali under section 269TAB(1)(c). Under this section, the export price is set having regard to all the circumstances of the exportation.

Specifically, the commission recommends calculating an export price based on Primy's prices to its Australian customers, minus the following amounts relating to Primy's sales of the goods.

- Primy's SG&A expenses [based on the percentage of indirect SG&A expenses and Primy's Australian unit net invoice value]
- Primy's profit on its Australian sales worked out as follows
 - Primy's net invoice value earned on Australian sales
 - the cost of goods as sourced from Dali
 - direct selling expenses incurred by Primy
 - indirect SG&A expenses (based on Primy's Australian selling price)

The commission recommends this method because:

- Dali's exports to Australia are made via related party Primy.
- Dali's selling prices to Primy are not arm's length transactions.
- Primy generally sold the goods to unrelated parties in arm's length transactions. Additionally, where Primy sold the goods via related parties, prices were based on an arm's length transaction price, minus an amount for expenses incurred by the related entity.

The commission recommends that it cannot set an export price for Dali under sections 269TAB(1)(a) or 269TAB(1)(b) because the importer did not purchase the goods from the exporter.

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 Dali produced and was involved in the exportation of the Australian export goods

The commission finds that Dali produced and was the exporter of the Australian export goods during the inquiry period.

The commission also assesses if Dali 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 considers Dali is the exporter of the Australian export goods because Dali manufactured the goods in China for export to Australia via related party Primy.

The commission found that:

- Primy is named as the seller on the commercial invoice.
- Primy is named as the shipper on the bill of lading.
- Dali is the manufacturer of the goods located in the country of export.
- Primy is responsible for transportation of the goods to the port of export to Australia.
- Dali's staff are involved in the export arrangements and book relevant costs to Primy.
- Dali manufactures the goods to Australian customer requirements, knowing that the goods are destined for Australia.

The commission considers Primy's role in the transactions was essentially as a trader or intermediary.

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 some transactions, the commission considers the company listed as the customer on Primy's commercial invoices is the importer of the Australian export goods. In other words, the companies listed as the customer beneficially owned the Australian export goods at the time of import into Australia.

For other transactions, Primy sold to trading entities, that on-sold the goods to importers located in Australia. The commission considers the Australian customer in relation to these sales was the importer.

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.

2.4 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 Dali produced and sold like goods for the domestic market

The commission finds that, during the inquiry period, Dali 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 Dali produced or sold the goods for Australian export at **chapter 2.3.3**.

Physical likeness

The primary physical characteristics are similar (i.e., stainless steel sinks of capacity between 7L and 70L).

Production likeness

Dali produced all goods at the same facilities, using the same raw material inputs. The exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications.

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 not all at arm's length

The commission's overall finding

For the domestic like goods sold during the inquiry period, the commission finds that Dali:

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

Further details – unrelated customers

For all unrelated customer transactions, the commission finds that Dali sold the domestic goods **at arms 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.

Further details – related customers

For all related customer transactions to Primy, the commission finds that Dali sold the domestic goods **not at arms length** as defined under section 269TAA.

For these transactions, the commission finds that a relationship between a buyer, a seller or their associates appeared to influence the price.

For these transactions, the commission notes that:

- Primy directly owned the majority of Dali during the inquiry period.
- Primy purchased the goods/like goods almost exclusively from Dali, subject to Dali's production capabilities.
- Selling prices are based on the cost of production and do not reflect negotiated prices.

- Payment terms are subject to the financing needs of Dali.

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

The commission's finding

The commission finds that Dali'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].

The commission's finding about related party suppliers

Dali purchased raw material inputs from related party Primy during the inquiry period. The principal material sourced from Primy was processed stainless steel sheet.

Primy sourced unprocessed stainless steel and arranged for the steel to be processed to the required specification suitable for the sink production process. Primy reported the purchase value of the unprocessed steel and processing fees payable to the processing vendor.

Examination of Dali's purchase records for processed steel sheet supplied by Primy found the price in Dali's records reconciled to the selling price in Primy's sales records.

The unit of measure for Dali's purchases of processed steel sheet was not the same as the unit of measure for Primy's purchases of the raw material feed stock. It was necessary for Dali to perform a conversion calculation to express the value of the steel sheet in the same unit of measure as Primy's purchase of the raw material feed stock.

The value of steel sheet purchased by Dali from Primy was approximate to the value of the raw material feedstock sourced by Primy from unrelated suppliers. This included an allowance for processing vendor charges payable by Primy which are assumed to have been passed on in the price of processed steel sheet sales to Dali.

Dali's purchases of steel raw materials sourced from unrelated parties was immaterial when compared to the volumes sourced from Primy. Several instances were observed where Dali's prices to Primy were comparable to or higher than prices paid to unrelated vendors.

Dali's reported purchases of steel from unrelated parties were checked against a sample of source documents and found to be accurate. The variation identified above was therefore not considered to be due to data inaccuracies but likely due to other factors.

The commission considers that the relationship between related parties Dali and Primy has not influenced the price of raw material purchases.

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 typically sets both the ‘extended period’ and ‘reasonable period’ under section 269TAAD as the inquiry, investigation or review period for a case – whichever applies to that case.

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 Dali’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 | Australian sales invoice date |
| Date of sale: domestic | Domestic sales invoice date |

Table 1 Ordinary course of trade assessment details

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.

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

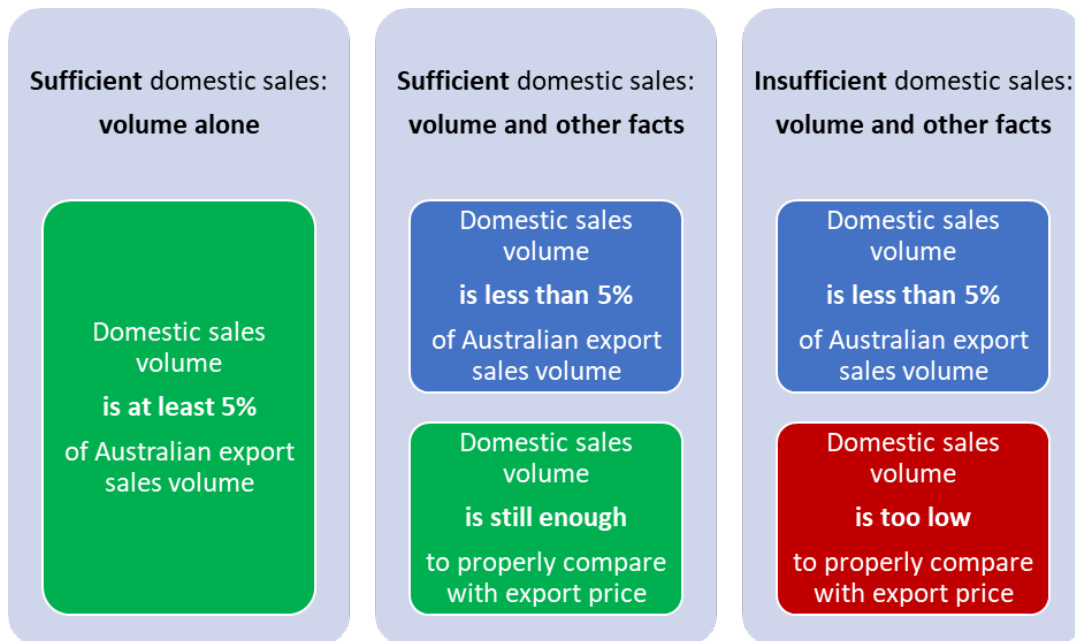


Figure 1 Possible findings about domestic sales volumes for section 269TAC(1) normal value

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 credit terms | Deduct |
| Domestic inland transport | Deduct |
| Domestic packaging | Deduct |
| Domestic accessory costs | Deduct |
| Export packaging | Add |
| Export inland transport | Add |
| Export port handling | Add |
| Export customs declaration expenses | Add |
| Export port of export charges | Add |
| Export commission expenses | Add |
| Export related bank charges | Add |
| Export accessory costs | Add |
| Timing | Either add or deduct |
| Export credit terms | Add |

Table 2 Summary of adjustments

The commission details how it assessed normal value adjustments at **chapter 0**.

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 Dali 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

Dali reported receiving grants and reduced taxation rates from entities that may satisfy the definition of a public body.

The commission's assessment of these programs and the subsidy margin will be outlined in the Statement of Essential Facts.

3 VERIFICATION DETAILS

3.1 Major findings

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

3.2 About this chapter

This chapter details what the commission found when verifying Primy and Dali's questionnaire response for case 646.

This chapter first summarises verified key details about Primy and Dali, 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 Primy and Dali's submitted information.

This chapter then summarises the commission's assessment of Primy and Dali'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

Primy Corporation Limited and Zhuhai Dali Kitchen & Bathroom Technology Co., Ltd

Primy is a private company established in 2007, that is involved in the sales of the goods to Australia. It was previously a manufacture of the goods to Australia, prior to the establishment of subsidiary Dali in 2020.

- Dali is the manufacturer of the goods exported to Australia. Dali has sales of like goods in the Chinese domestic market and exports to third countries.
- For all Australian export sales produced by Dali, the goods are sold via Primy.
- Primy also has sales of like goods in the Chinese domestic market, of products primarily produced and supplied by Dali.

3.3.2 Related companies

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

Related suppliers

Dali reported purchases of raw materials supplied by Primy. Primy was the principal buyer of raw materials in an unprocessed state and arranged processing to the required specification suitable for production processes. Examination of relevant accounting records confirmed that the sale of processed raw materials by Primy to Dali appeared to be arms length transactions.

Dali also reported it has an arrangement concerning supplying of certain utility expenses whereby Primy is the principal customer of the utility company and charges Dali for its consumption of the utility. The supply of the utility between Dali and Primy was consistent with the amount charged to Primy by the utility company.

Related customers

Domestic sales between Dali and Primy

Sales of the goods between Dali and Primy appeared to be influenced by the commercial relationship, and therefore are not considered to be arms length transactions in the ordinary course of trade.

Primy – Domestic sales

Primy had domestic sales to the following related parties:

- [Redacted – Confidential Customer 1]
- [Redacted – Confidential Customer 2]

The verification team considered sales to [Confidential Customer 1] to be arms length transactions.

Primy's domestic sales to [Confidential Customer 2] appeared to be influenced by the commercial relationship, and therefore are not considered to be arms length transactions in the ordinary course of trade.

Australian sales

Export sales to Australia were made to the following related party:

- [Redacted – Confidential Customer 3]

The verification team considers that selling prices were based on an arms length price between [Confidential Customer 3] and unrelated customers, minus an amount for [Confidential Customer 3's] expenses.

3.3.3 Production process and cost allocation

Primy is the supplier of stainless steel to Dali. Primy buys stainless steel from unrelated parties and pays for the steel to be processed in blanks ready for the production process, undertaken by Dali.

The production process is summarised as follows:

- Punching - the steel plate to obtain the material that meets the required dimensions for stretching
- Drawing - stretching the steel plate and obtain the semi-finished product with the depth of the front process that meets the requirements of the mould
- Shaping - processing the stretched steel plate to obtain the semi-finished product with the required depth and the step characteristics that meet the requirements of the drawing
- Cutting - the steel plate and obtain the semi-finished product with the dimensions of the front process that meet the requirements of the drawing
- Stamping - the brand logo on the steel plate
- Rolling the edges - flange the bottom according to the requirements of the drawing

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- Folding the edges - flange the top according to the requirements of the drawing
- Cleaning - removing the stains caused by the stamping process
- Corner welding - sealing the corners of the sink
- Fixing - grinding and repair the sink according to the process requirements
- Polishing
- Punching the drain hole - according to the requirements of the drawing
- Cleaning
- Deafening pad - pasting the shockproof plate according to the requirements of the drawing
- Testing
- Side cleaning
- Surface hole - punching the tap holes according to the requirements of the drawing
- Packing - according to the product requirements

Dali's production process for the goods under consideration and like goods was broadly similar in terms of both being made primarily with the deep drawing process. Differences were encountered in relation to market specific specifications that were not universal across the goods and like goods. This included features for domestic sinks that required more complex or additional production processes to achieve the desired sink geometry, e.g. annealing, multiple stages of drawing, tighter corner radius or surface treatments that were specific to market conditions in China.

Table 3 outlines how the commission allocated each cost component.

| Cost component | Allocation method applied |
|------------------------------------|--|
| Raw materials – stainless steel | Allocated by determining a weighted average cost of steel consumed in the period [as per inventory movement ledger based on moving average value of all steel] and applying this to the nominal weight of steel used in the production of sinks [as identified in bill of material information]. |
| Accessories | Allocated by comparing the standard cost value of accessories [as per bill of material information] required for production and the actual cost of accessories taken out of inventory [as per inventory ledger] |
| Scrap allocation – stainless steel | Cost of scrap has been allocated across all finished goods volume. Dali did not seek to offset value of scrap expense by way of scrap sales. |
| Direct labour | Allocated by comparing the standard unit labour cost of all sinks production [as per standard costing data by product description] and the actual value of direct labour [as captured in the relevant direct labour accounts for the sinks production workshop] |
| Manufacturing overheads | Allocated by identifying the actual costs relevant to sink production [as per the relevant general ledger accounts and department codes] and the proportion of production activity [informed by standard direct labour unit expense] relevant to each unit of production [by product code and workshop production records] |
| Depreciation | Allocated based on asset value relevant to production activity. |

Table 3 Cost allocation method

By way of example, the allocation ratio for stainless steel was tested for a sample month in the inquiry period. The price paid for raw material stainless steel and the value of stock taken out of inventory was examined down to the sink product code level and compared to the unit value of stainless steel direct material expense allocated to all production. The value of steel consumed for sink production in respect of the selected sink product code corresponded to the value of the direct material within the inventory accounts and sales and purchasing records supplied by Primy and Dali.

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

The commission finds that Primy's accounting records for the inquiry period comply with the generally accepted accounting principles of China. The commission also finds that Dali's accounting records for the inquiry period comply with the generally accepted accounting principles of China.

Zhuhai Gongzhong United Accounting Firm audited the financial statements of both Primy and Dali and included statements that the financial accounts comply with the Enterprise Accounting Standards.

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 Primy and Dali submitted complies with the model control code (MCC) structure detailed in ADN 2024/028 and exporter questionnaire.

After comparing prices of different models of the goods, the commission recommends amending the MCC structure outlined in the above mentioned notice and exporter questionnaire.

Additional MCC subcategory – 3 drainer boards

- Primy reported an additional MCC subcategory for sinks with 3 drainer boards.
- The sales had physical differences which led to material differences in price and were not captured by the MCC subcategories.
- The commission recommends amending the MCC structure in respect of costs or sales for Primy and Dali by including this subcategory.

Additional MCC category – PVD (physical vapour deposition)

- Primy submitted that there are differences in physical characteristics, including for additional PVD treatment.
- The commission identified that Dali captured costs separately for additional PVD treatment, and that sales with PVD treatment had materially higher prices, due to the additional process required.
- The commission recommends amending the MCC structure in respect of costs or sales for Primy and Dali by including this category.

Amended MCC categories

| Category | Subcategory | Identifier |
|-----------------|--------------------|-------------------|
| Number of Bowls | 1 Bowl | 1BWL |
| | 1 Bowl (Round) | 1BWLR |

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| Category | Subcategory | Identifier |
|-------------------------------------|---|------------|
| | 2 Bowls | 2BWL |
| | 2 Bowls (Round) | 2BWLR |
| Number of Drainer Boards | No drainer board | 0DB |
| | 1 drainer board | 1DB |
| | 2 drainer boards | 2DB |
| | 3 drainer boards | 3DB |
| Total Sink Capacity (Litres or "L") | Greater than or equal to 7L but less than or equal to 30L | A |
| | Greater than 30L but less than or equal to 50L | B |
| | Greater than 50L but less than or equal to 70L | C |
| PVD Finish | PVD | PVD |
| | No PVD | |

Table 4 MCC structure as amended

3.5.2 Verification of model control codes

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

| Category | Sub-category verification method |
|---|--|
| <ul style="list-style-type: none"> • Number of bowls • Number of drainer boards • PVD finish | Product characteristics were verified to product drawings and bills of materials for selected samples. |
| Total sink capacity | Volume was verified to product drawings and software used for product analysis. |

Table 5 MCC sub-category determination

3.5.3 List of model control codes

Models sold and produced by Dali during the inquiry period. Except for sales Dali made to Primy for the purpose of those goods being exported to Australia, domestic sales by Dali to Primy are excluded from the summary below on account of the finding those sales were not arms length transactions.

| MCC | Australian sales | Australia CTM | Dali Domestic sales ¹ | Dali Domestic CTM ² |
|----------------|------------------|---------------|----------------------------------|--------------------------------|
| 1BWL-0DB-A | Yes | Yes | Yes | Yes |
| 1BWL-0DB-A-PVD | No | Yes | No | No |

¹ Excludes domestic sales exported to Australia by Primy and other domestic sales to related party Primy.

² Excludes costs relating to production of sinks for Australian market and for domestic sales to related party Primy.

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

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 (as applicable).

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 the data submitted by Primy and Dali 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.

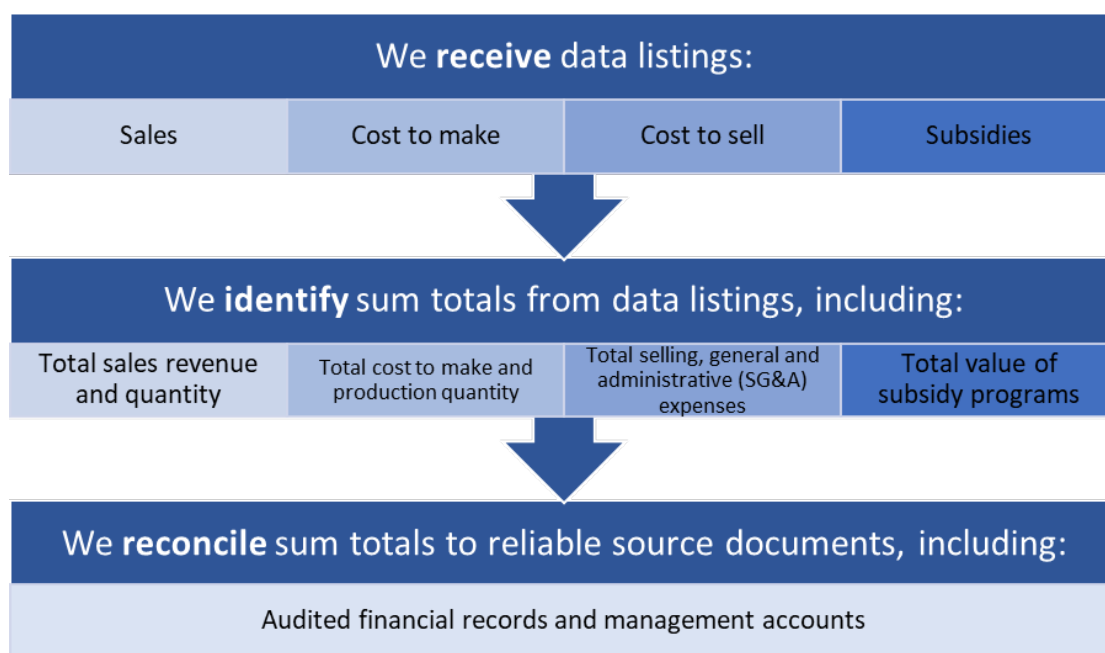


Figure 2 How the commission verifies information as complete and relevant

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.

Sales

1. Reconciliation of total company sales revenue for the most recent financial year (FY2023) from the accounting system and trial balance to the audited financial statement.
2. Reconciliation of total company sales revenue for the inquiry period to the accounting system and trial balance.
3. Reconciliation of the sales listings for all products to the total company sales revenue in the inquiry period.
4. Verification of the product categorisation for the goods and non-subject goods. Reconciliation of the volume and value report for different product types.
5. Verification of the revenue and quantities reported for domestic and export sales of the goods and the sales destination.

Cost to make

1. The method of preparation used by Primy and Dali was tested by way of examination of costs reported for a selection of sink products.
2. Total cost of the goods under consideration (GUC) produced during the inquiry period was identified by examination of detailed cost of production data and comparing this to product sales to ensure only relevant costs were included.
3. Reconciling the total production expenses for non GUC to the costs reported for each product type.
4. Comparing the figures reported for total cost of production and change in finished goods inventory to the figures in the finished goods ledger.
5. Examining trial balance data to verify the value for cost of sales over the inquiry period.
6. Examining trial balance data to verify the value for cost of sales incurred by Dali and Primy in their 2023 financial statement.

Cost to sell

1. Reconciliation of SG&A listing to trial balance and audited financial statement for the most recent financial period.
2. Reconciliation of SG&A listing to trial balance for the inquiry period.
3. Verification of the direct selling expense categorisation and reconciliation of the direct selling expenses to sales listings.

Subsidies

The commission identified the following subsidy types:

1. Tax benefits
2. Financial grants.

The commission:

1. Reconciled tax benefits by identifying the benefit in taxable income payable from Dali's income tax return.
2. Reconciled financial grants reported to Dali's non-operating income and by identifying the pre-tax deductions classifiable as financial grants in Dali'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.

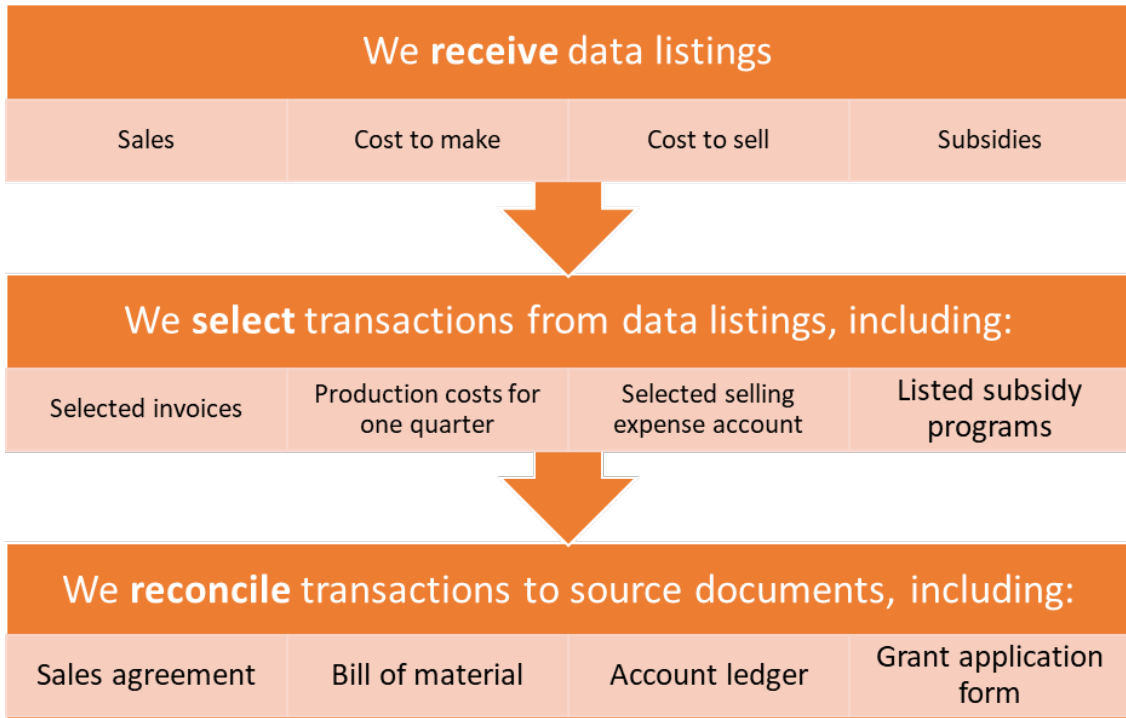


Figure 3 How the commission verifies data as accurate

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 Primy and Dali submitted is complete and relevant after material revisions.

Sales

Material revision 1: Dali Removal of related party sales to Primy

Description: Dali's sales of sinks to Primy were all reported in Dali's domestic sales listing, although the sales related to goods that were sold to domestic and export markets.

The parties submitted that selling prices between Dali and Primy were influenced by the relationship, as they were based on the costs, not negotiated prices.

The commission considers that Dali's sales to Primy were not domestic sales in the ordinary course of trade, or sales in arms length transactions. Separately, the commission considers Dali to be the exporter of the goods to Australia.

Resolution: Sales to Primy have been removed from Dali's domestic sales listing, as the transactions do not relate to domestic sales of like goods in the ordinary course of trade.

The commission had regard to Dali's selling prices to Primy, to calculate an amount for profit (in relation to Primy's sales to customers).

Material revision 2: Dali Removal of exports from domestic sales

Description: The commission identified that sales to one customer reported in Dali's domestic sales listing were for export.

The commission found that these sales were of different specifications to Dali's other domestic sales. Additionally, the customer's name indicated that it was an export trading entity.

The commission confirmed that the sale was sent to a different location in China for warehousing prior to export. The commission was unable to confirm the final destination of these sales.

Resolution:

The sales were removed from Dali's domestic sales listing.

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Material revision 3: Primy Removal of exports from domestic sales

Description: The commission identified that sales to two customers reported in Primy's domestic sales listing were for export.

The commission identified these sales as exports based on Primy's classification of the sales and the customer names.

The commission confirmed that the sales were at EXW or delivered to the Chinese customer for warehousing, prior to export. The commission was unable to confirm the final destination of these sales.

Resolution:

The sales were removed from Primy's domestic sales listing.

Material revision 4: Primy Australian sales Removal of sales of products not under consideration

Description: The commission identified that Primy's Australian sales listing included sales that were outside of product specifications of the goods (e.g. having a combined volume of above 70 litres). These sales were identifiable from the sales listing.

Resolution: Sales outside of the product specifications of the goods were removed from the Australian sales listing.

Material revision 5: Primy Australian sales reclassification of 'exempt' products

Description: The commission identified that some Australian sales had been misclassified as exempt products, although the specifications were not covered by an exemption.

Primy confirmed that the company had inadvertently classified those products as exempt when preparing the Australian sales listing.

Resolution: The classification of the sales has been corrected in the Australian sales listing.

Cost to make

Material revision 6: Dali Addition of new MCC category in Dali domestic CTM listing

Description: Dali reported domestic production of sinks with a PVD surface finish. Product with a PVD surface finish are subject to specific production process and exhibit a unique cost profile.

Resolution: Dali's questionnaire response to the G-3 domestic cost of production worksheet [as amended] was updated by adding a MCC category for PVD surface sinks production.

Material revision 7: Dali Addition of new MCC category in Dali Australian CTM listing

Description: Dali reported Australian production of sinks with a PVD surface finish. Product with a PVD surface finish are subject to specific production process and exhibit a unique cost profile.

Resolution: Dali's questionnaire response to the G-5 Australian export cost of production worksheet [as amended] was updated by adding a MCC category for PVD surface sinks production.

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Material revision 8: Dali Classification of GUC production expenses

Description: Dali misclassified production expense for Australian goods by reporting the costs as 'out of scope'. The relevant expenses in the 'out of scope' category were found to be goods the subject of the inquiry. The value for GUC production also includes amounts for semi-finished items.

Resolution: Dali's questionnaire response to the G-8 upwards cost reconciliation worksheet [as amended] was updated by reclassifying certain expenses from 'out of scope' to 'goods under consideration'. Figures relating to production of semi-finished GUC was moved out of the section for 'goods under consideration'.

Material revision 9: Dali Classification of expenses by market

Description: Dali's questionnaire response to the G-8 upwards cost reconciliation worksheet [as amended] did not accurately identify production for domestic sales, Australian exports and third country exports.

Resolution: Dali's G-8 upwards response was reconfigured to identify the correct total cost of production cost and production volume relevant to each market.

Material revision 10: Dali Classification of expenses for semi-finished production

Description: Dali's questionnaire response to the G-8 upwards cost reconciliation worksheet [as amended] reported expenses for semi-finished production in the goods under consideration for third country markets category.

Resolution: The available information confirmed the expenses related to what would be goods under consideration but were in a semi-finished state of production. The expenses were removed from the goods under consideration category to ensure the cost of production for the goods and like goods only reflected expenses incurred in relation to finished goods.

Cost to sell

Material revision 11: Dali Removal of export expenses/income from domestic SG&A

Description: Two SG&A accounts (exchange gains and losses and export business collection fees) codes were identified as relating to export activities only (and not domestic sales of like goods).

Resolution: These accounts were removed from the calculation of domestic SG&A.

3.9.2 The submitted information is accurate

Overall

The commission finds that the information Primy and Dali submitted is accurate after material revisions.

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Sales

Material revision 12: Primy Removal of sales that were not invoiced during the period

Description: The commission identified that Primy's sales listing included sales that had not been invoiced during the inquiry period.

The sales were identifiable from the sales listing based on the invoice details.

Resolution: Sales that were not invoiced during the period were removed from Primy's domestic sales listing.

Material revision 13: Primy Removal of certain negative transactions

Description: Primy reported some offsets (negative values) in its sales listing that were not connected to invoices during the inquiry period.

Primy provided detailed explanations and evidence concerning these offsets. Offsets were found to primarily relate to sales revenue booked prior to the inquiry period, with accrued revenue offset once sales were invoiced.

Resolution: The commission has removed all offsets that were not related to invoices during the inquiry period.

Primy recalculated the account receivable turnover ratio for certain customers, following the removal of offsets.

Material revision 14: Australian sales commissions

Description: From downwards verification to source documents, it was identified that the sales commissions were understated for certain transactions.

The sales commissions payable were confirmed to source documents (e.g. customer contracts).

Resolution: The export sales listing to Australia was revised to reflect the total amounts payable for sales commission.

Cost to make

Material revision 15: Dali Addition of faucet production cost

Description: Examination of Primy's sales listing identified faucets that were not produced by Dali during the inquiry period and the reported accessory cost for the faucet was inaccurate.

Resolution: Dali provided faucet cost of production data for all faucets that were produced during the inquiry period. Dali also identified faucet costs data incurred during the inquiry period that was a reasonable substitute for the faucet production costs incurred outside of the inquiry period.

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Subsidies

Material revision 16: R&D tax exemption – Calculation of benefit received

Description: Dali's calculation of the benefit for preferential R&D tax treatment did not include the tax benefit carried forward.

Resolution: The commission recalculated the amount for preferential R&D tax treatment based on the full benefit received, as verified to Dali's income tax return for 2023.

Material revision 17: Dali – Revised turnover listing

Description: Dali did not report the value or volume of Australian sales in its turnover worksheet, as these were classified as domestic sales for accounting purposes.

Resolution: The commission revised the turnover worksheet, to calculate the volume and value applicable to Dali's exports during the inquiry period, based on the verified sales information [as amended].

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 credit terms | Export and domestic sales had different credit terms. | Adjustments for credit terms are to be based on the payment terms, as verified to source documents, and Primy's average interest rate of short-term loans. | The verified company | Proposed to apply if applicable |
| Domestic inland transport | Export and domestic sales had different inland transport expenses. | Domestic inland transport expenses were allocated based on revenue. | The verified company | Proposed to apply if applicable |
| Domestic packaging | Export and domestic sales had different packaging. | Packing expenses were reported for each transaction, based on the actual costs incurred for each product code. | The verified company | Proposed to apply if applicable |
| Domestic accessories | Export and domestic sales had different had different accessories. | Accessories were reported for each transaction, based on the actual costs incurred for each product code. | The verified company | Proposed to apply if applicable |
| Export packaging | Export and domestic sales had different packaging. | Packing expenses were reported for each transaction, based on the actual costs incurred for each product code. | The verified company | Proposed to apply if applicable |
| Export inland transport | Export and domestic sales had different inland transport expenses. | Export direct selling expenses were allocated to each transaction based on the actual expenses incurred. | The verified company | Proposed to apply if applicable |
| Export handling | Export and domestic sales had different direct selling expenses. | Export direct selling expenses were allocated to each transaction based on the actual expenses incurred. | The verified company | Proposed to apply if applicable |
| Export customs declaration | Export and domestic sales had different direct selling expenses. | Export direct selling expenses were allocated to each transaction based on the actual expenses incurred. | The verified company | Proposed to apply if applicable |
| Export port charges | Export and domestic sales had different direct selling expenses. | Export direct selling expenses were allocated to each transaction based on the actual expenses incurred. | The verified company | Proposed to apply if applicable |

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| Adjustment type | Adjustment assessment | Evidence and proposed calculation method | Who claimed this adjustment? | Did the commission apply this adjustment? |
|----------------------------------|---|---|------------------------------|---|
| Export commission | Export and domestic sales had different direct selling expenses. | Export direct selling expenses were allocated to each transaction based on the actual expenses incurred. The value of commissions was established using commercial documents relevant to each instance where commissions are payable. | The verified company | Proposed to apply if applicable |
| Export bank charges | Export and domestic sales had different direct selling expenses. | Export direct selling expenses were allocated to each transaction based on the actual expenses incurred. | The verified company | Proposed to apply if applicable |
| Export specification adjustments | <p>The commission used domestic surrogate MCCs with a specification adjustment, to calculate the normal value for export MCCs with no domestic sales in the ordinary course of trade.</p> <p>The commission also adjusted for physical differences between export and domestic sales of the same MCC.</p> | <p>For MCCs with domestic cost data, the commission calculated the difference between the surrogate domestic MCC and target MCC using that data (i.e., based on the cost to make and sell differences and profit rate).</p> <p>Separately, the commission calculated the differences between domestic and export sales of the same MCC based on the cost to make and sell differences and the profit rate.</p> <p>For MCCs without domestic cost data, the commission relied on the export cost data to calculate differences between the surrogate domestic MCC and export MCC (i.e., based on the cost to make and sell differences and profit rate).</p> | The verified company | Proposed to apply if applicable |

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| Adjustment type | Adjustment assessment | Evidence and proposed calculation method | Who claimed this adjustment? | Did the commission apply this adjustment? |
|------------------------|--|---|-------------------------------------|--|
| Export accessories | Export and domestic sales had different had different accessories. | Accessories were reported for each transaction, based on the actual costs incurred for each product code. The value of export accessories reflect the weighted average value of accessories for each MCC in the Australian sales listing. | The verified company | Proposed to apply if applicable |
| Export credit terms | Export and domestic sales had different credit terms. | Adjustments for credit terms are to be based on the payment terms, as verified to source documents, and Primy's average interest rate of short-term loans. | The verified company | Proposed to apply if applicable |

Table 7 Assessment of adjustments

3.11 Subsidy programs

3.11.1 Grants

The commission found that Dali received a financial benefit during the inquiry period, in relation to the following grant programs:

| Program name | Granting authority | Attribution and allocation of the subsidy |
|---|---|--|
| Zhuhai Special Fund for Promoting High-quality Development of Real Economy (Industrial Energy Conservation) | Zhuhai Jinwan District Finance Bureau | Whole company |
| Zhuhai Implementation of Standardization Strategy Support | Zhuhai Market Supervision Administration | Whole company |
| Tax Incentives-VAT refund | Tax Bureau | Whole company |
| Transfer from A Core of Public Service Office of Pingsha Town, Jinwan District, Zhuhai City | Zhuhai Jinwan District Pingsha Town Public Service Office | Whole company |
| Subsidy from Zhuhai Human Resources and Social Security Bureau | Zhuhai Human Resources and Social Security Bureau | Whole company |

Table 8 Grant subsidy programs

3.11.2 Preferential income tax programs

The commission found that Dali received a financial benefit during the inquiry period, in relation to the following tax programs:

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| Program name | Attribution and allocation of the subsidy |
|---|--|
| Preferential Tax Treatment for R&D expenses | Whole company |
| Preferential tax treatment for employing disabled employees | Whole company |

Table 9 Preferential tax subsidy programs

3.11.3 Application and eligibility

Dali did not provide full responses, with the information requested, relevant to confirm the application process, criteria, or eligibility for the subsidy programs reported.

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