



## Investigation No. 688

Certain Flat Rolled Steel Products

Exported from the People's Republic of China and the  
Republic of Korea.

Comparative variable factors assessment

### Baoshan Iron and Steel Co Ltd

At the time of preparing this assessment, the Anti-Dumping Commission (Commission) was unable to calculate a preliminary dumping margin and subsidy margin for Baoshan Iron and Steel Co Ltd (Baoshan).

The Commission's approach to the normal value and consideration of all alleged subsidies will be addressed in the *Statement of Essential Facts 688* due to be published on 23 June 2026.

Table 1 is the Commission's preliminary assessment based on the information currently available and may not reflect the final position of the Commission.

Export Price	Normal Value	Dumping Margin	Subsidy Margin
Section 269TAB(1)(c) <sup>1</sup>	Refer to chapter 3	To be determined	To be determined

**Table 1: Summary of preliminary variable factors for Baoshan**

The Commission determined that no onsite or virtual verification would be conducted for Baoshan due to it being subject to a verification for the purpose of Investigation 658 into exports of Hot Rolled Coil (HRC).<sup>2</sup> This is considered reasonable in the circumstances that HRC and the goods the subject of this investigation share a high degree of commonality with respect to key production processes and the supply chain arrangements identified in relation to Baoshan's sales into the domestic and Australian market.

The Commission has therefore assessed Baoshan by having regard to its response to the exporter questionnaire (REQ), questionnaire received by other exporters cooperating with the investigation, and relevant findings and conclusion concerning Baoshan for Investigation

In support of the analysis and findings detailed in this report, the Commission has prepared the comparative analysis work program at **Confidential Attachment 1**.

<sup>1</sup> All legislative references are to the *Customs Act 1901* (Cth) (the Act).

<sup>2</sup> 658 EPR Item No. 025, refers.

**This report details the findings and recommendations of a verification team in the Anti-Dumping Commission and not reflect the Anti-Dumping Commission's final position.**

## 1. Response to the exporter questionnaire

Baoshan's response was received within the legislated period and contained relevant information regarding the following.<sup>3</sup>

- its role in the export of the goods to Australia.
- sales of like goods made by it to export and domestic markets.
- the cost of production of like goods, including selling, general and administrative expenses (SG&A).

Baoshan is considered a cooperating exporter.

The public version of Baoshan's REQ is available on the electronic public record (EPR) for this case on the Commission's website at [www.adcommission.gov.au](http://www.adcommission.gov.au).<sup>4</sup>

### 1.1 Summary of material revisions

The following assessment details revisions performed on the data supplied in the exporter's REQ.

#### Material revision 1: Raw material purchase listing (REQ G-7.4)

**Description:** The initial version of the purchase listing provided in Baoshan's REQ met the Commission's requirements. However, upon a further examination of transaction data, the Commission sought an updated version to include further information in relation to range of expenses and accounting system entries.

**Resolution:** Baosteel Zhanjiang provided a revised raw materials listing dated 30 March 2026.

#### Material revision 2: Importer Australian sales listing (REQ C-2)

**Description:** The initial version of the Australian sales listing provided in Bao Australia's at C-2 of its importer questionnaire met the Commission's requirements. However, upon comparing the sales reported by Bao Australia's related supplier, Baoshan, the Commission identified a limited number of irregularities concerning Model Control Code and supplier invoice references.

**Resolution:** Bao Australia provided a revised Australian sales listing on 26 May 2026.

## 2. Export price

For the purpose of this preliminary assessment, the Commission proposes to determine an export price for Baoshan under section 269TAB(1)(c) the *Customs Act 1901* (the Act).

For exports relevant to section 269TAB(1)(c), the export price is set having regard to all the circumstances of the exportation. These circumstances concern Baoshan's exports that involved an intermediary in the sale of the goods to the Australian importer.

<sup>3</sup> Baoshan's REQ was received on or before the extended legislated due date. In the case of Baoshan it received an extension to the initial due date. The revised due date was 2 January 2026. Baoshan provided a further response on 6 February 2026 to address deficiencies the commission identified in Baoshan's response of 2 January 2026.

<sup>4</sup> EPR 688 – document 011.

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On the basis that the importer did not purchase the goods directly from the exporter, the export price cannot therefore be determined under section 269TAB(1)(a) or section 269TAB(1)(b) of the Act.

As outlined in chapter 2.3 below, the Commission found that all of Baoshan's Australian exports of the goods were sold to a related importer, Bao Australia Pty Ltd, via a related intermediary, Howa Trading. The Commission further concludes that Baoshan's exports of the goods were not arms length transactions.

The Commission therefore proposes to determine an export price for Baoshan based on Bao Australia's arms length prices of the goods sold to unrelated Australian customers, less the following amounts;

- Bao Australia's SG&A expenses
- importation charges and inland transport from the port of import<sup>5</sup>
- ocean freight and marine insurance<sup>6</sup>
- Bao Australia's profit on the sale of the imported goods<sup>7</sup>
- Howa Trading SG&A expenses

### 2.1 Who is the exporter?

The Commission considers Baoshan is the exporter of the Australian export goods because this company:

- produced the Australian export goods
- arranged and paid for inland transport to the port of export
- arranged and paid for port handling charges at the port of export

### 2.2 Who is the importer?

For all transactions, the Commission considers Bao Australia is the importer of the Australian export goods. In other words, Bao Australia beneficially owned the Australian export goods at the time of import into Australia.

For each transaction, Bao Australia:

- is named as the consignee on bills of lading
- is named as the importer on import declarations to ABF

### 2.3 Were the Australian export sales sold at arm's length?

All of Baoshan's exports of the goods to Australia were sold to a related party importer, Bao Australia. The exports sold to Bao Australia were transacted through a related party trading intermediary, Howa Trading.

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<sup>5</sup> Based on a weighted average amount using figures in Bao Australia's importer questionnaire at B-2 Cost to import and sell.

<sup>6</sup> Based on the actual amounts of ocean freight and marine insurance reported by Baoshan in its Australian sales listing as mapped to the sale of the goods by Bao Australia using the supplier's invoice number.

<sup>7</sup> Bao Australia's price less its own SG&A, importation expenses and inland freight, and Bao Australia's purchasing price for the goods mapped to exporter invoice number and model control code.

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Based on the findings outlined below in chapter 2.3.1, the Commission finds it reasonable to conclude that Baoshan's Australian exports of the goods to related customers are not arms length transactions as defined under section 269TAA of the Act.

Specifically, the Commission concludes Baoshan's export price appears to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.<sup>8</sup>

### 2.3.1 Related customers

For all export sales to Australia by Baoshan, Baoshan sold the goods (plate steel) to related intermediary, Howa Trading. Howa Trading then on-sold the goods to related customer and importer, Bao Australia.

Evidence provided in Baoshan's REQ also established the following.

- Baoshan directly owned the whole of Howa Trading during the investigation period, and indirectly wholly owned Bao Australia through Howa Trading.<sup>9</sup>
- Bao Australia purchased the Australian export goods exclusively from Baoshan and other related entities.<sup>10</sup>
- Howa Trading covered the cost of ocean freight and marine insurance.
- Baoshan covered the cost of inland transport to the port of export in China and the port of export handling expenses.

In relation to Baoshan's Australian exports of HRC examined by Investigation 658, the Commission observed the supply chain arrangements in place for the export of HRC are almost identical to those observed above in relation to the export of plate steel the subject of investigation 688. The period of investigation nominated for Investigation 658 overlaps Investigation 688 by 3 months (1 July 2024 to 30 September 2024). The Commission concluded Baoshan's exports of HRC to Australia examined by Investigation 658 were not sold in arms length transactions.<sup>11</sup>

The arms length findings concerning Baoshan's exports to Australia were outlined in *Statement of Essential Facts No. 658* and again in *Anti-Dumping Commission Report No. 655*.

The Commission reviewed Baoshan's responses on export pricing practices at B-1 of its REQ and Bao Australia's responses on the same matter at D-20, D-22, and D-23 of its questionnaire. Neither company referred to the use of price lists or the pricing guides cited by Investigation 658. Other than referring to monthly updates, the questionnaire responses offered limited insight concerning price negotiations.

Having regard to the available information, it is reasonable to conclude that the price setting practices found in Investigation 658 are also applicable to Baoshan's exports of plate steel the subject of Investigation 688.

Analysis of Baoshan's Australian exports indicated its related intermediary, Howa Trading, sold the goods at a loss to Bao Australia. Prices were not sufficient to recover the combined

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<sup>8</sup> Section 269TAA(1)(b) of the Act

<sup>9</sup> Baoshan REQ, Exhibit A-2.5 refers.

<sup>10</sup> Baoshan REQ, Exhibit A-2.5 refers.

<sup>11</sup> Section 269TAA(1)(b) of the Act

sum of the cost of goods purchased from Baoshan, ocean freight and marine insurance and Howa Trading's selling, general and administration expenses.

Having regard to the findings outlined for Investigation 658, and the information available for Investigation 688, the Commission finds it reasonable to conclude that Baoshan's Australian exports of the goods to related customers are not arms length transactions as defined under section 269TAA of the Act.

Specifically, the Commission concludes Baoshan's export price appears to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.<sup>12</sup> This finding relies on observations concerning the following circumstances that were relevant to the arms length findings for Baoshan in Investigation 658 and are also considered relevant to the finding for Investigation 688.

- Baoshan's supply chain arrangements in relation to exports of HRC appear to be same for plate steel.
- Pricing practices found to be in place between Baoshan, Howa Trading and Bao Australia for the export of HRC are likely in place for the purpose of plate steel.
- Howa's pricing to Bao Australia was not sufficient to recover Howa's cost of sales, SG&A or generate a profit.

Although the Commission finds Baoshan's export transactions are not arms length, the Commission considers it reasonable to find there is no evidence to establish the following.

- there was consideration for the goods other than 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.<sup>13</sup>

### **2.3.2 Importer profitability**

The Commission has found that Bao Australia, the importer of the goods exported to Australia by Baoshan, sold the imported goods to unrelated customers in arms length transactions. Bao Australia's sales of plate steel imported from Baoshan were observed to be profitable.

## **3. Normal value**

The Commission has assessed the following matters that are relevant to the calculation of normal value. However, not all aspects of the exporter's normal value calculation have been examined. This is because the Commission has not yet decided to accept or reject a claim concerning an alleged particular market situation in the Chinese domestic market for plate steel. The Commission's consideration of this claim and the determination of normal values will be detailed in the Statement of Essential Facts.

### **3.1 Did the exporter produce and sell like goods for the domestic market?**

The Commission finds that, during the investigation period, Baoshan produced and sold like goods for domestic home consumption.

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<sup>12</sup> Section 269TAA(1)(b) of the Act

<sup>13</sup> Similar findings were made with respect to exports of HRC examined by Investigation 658.

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.

### **3.1.1 Physical likeness**

Baoshan does not distinguish between domestic like goods and the Australian export goods based on physical characteristics. The Commission notes however that Baoshan sold a different range of goods to the Australian export market compared to the domestic market. Many steel grades complied with specific regions’ steel standards and were sold to those regions accordingly.

### **3.1.2 Production likeness**

Baoshan produced goods at the same facilities, using the same types of raw material inputs and production processes

### **3.1.3 Commercial likeness**

All goods compete in the same market sectors, can be interchangeable and use similar distribution channels.

### **3.1.4 Functional likeness**

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

## **3.2 Were the domestic sales sold at arm’s length?**

All of Baoshan’s domestic sales of like goods in China were sold to related party customers.

Based on the findings outlined below in chapter 3.2.1, the Commission finds it reasonable to conclude that Baoshan’s domestic sales of like goods to related customers are not arms length transactions as defined under section 269TAA of the Act.

Specifically, the Commission concludes Baoshan’s domestic price for sales of like goods appears to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.<sup>14</sup>

### **3.2.1 Related customers**

For all domestic sales, Baoshan sold like goods (plate steel) to related customers engaged in steel trading. These entities then on-sold the like goods to both related and unrelated customers. The supply chain arrangements in place for Baoshan’s domestic sales of plate steel are either identical or cannot be easily distinguished from those observed in relation to Baoshan’s domestic sales of HRC examined by Investigation 658.

Evidence provided in Baoshan’s REQ also established the following.

- Domestic traders during the investigation period were wholly owned by a related entity to Baoshan.<sup>15</sup>

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<sup>14</sup> Section 269TAA(1)(b) of the Act

<sup>15</sup> Baoshan REQ, Exhibit A-2.5 refers.

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- Domestic customers purchased the goods exclusively from Baoshan and other related entities.<sup>16</sup>

The Commission verified Baoshan's domestic sales of HRC for the purpose of Investigation 658 and concluded its sales of like goods were not sold in arms length transactions.<sup>17</sup>

The Commission reviewed Baoshan's responses on domestic pricing practices at D-1 of its REQ. Baoshan advises it does not maintain price lists and does not refer to the internal pricing guides identified by Investigation 658.

Baoshan's REQ describes what appears to be a centralised process for price setting performed by marketing functions and certain arrangements concerning the amount of profit it will achieve on the sale. It appears that prices are negotiated between Baoshan's related customers and their end-user customer. Baoshan then receives a pre-agreed profit margin based on the contract price paid by the end-user customer.

Based on the disclosures in Baoshan's REQ, price negotiations are performed by other entities, rather than involving Baoshan. The amount of profit earned by Baoshan is based on a price negotiation that incorporates pre-determined level of profit. It is therefore unclear as to whether Baoshan and its related customer engage in genuine bargaining when deciding on the price of like goods supplied by Baoshan.

The Commission considers it reasonable to conclude that the price setting practices found in Investigation 658 are applicable to Baoshan's domestic sales of plate steel the subject of Investigation 688. An examination of Baoshan's REQ supplied for Investigation 688 appears to support this conclusion.

Having regard to the findings outlined for Investigation 658, and the information available for Investigation 688, the Commission finds it reasonable to conclude that Baoshan's domestic sales of like goods to related customers are not arms length transactions as defined under section 269TAA of the Act.

Specifically, the Commission concludes Baoshan's domestic price appears to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.<sup>18</sup> This finding relies on observations concerning the following circumstances that were relevant to the arms length findings for Baoshan in Investigation 658 and are also considered relevant to the finding for Investigation 688.

- Baoshan's supply chain arrangements in relation to exports of HRC appear to be same for plate steel.
- Pricing practices found to be in place between Baoshan and its domestic related customers are likely in place for the purpose of plate steel.
- Baoshan's related customers achieved only marginal profitability.

Although the Commission finds Baoshan's domestic sales are not the result of arms length transactions, the Commission does not find that:

- there was a consideration for the goods other than price, and
- a buyer or buyer's associate directly or indirectly received compensation, reimbursement or another benefit for, or relating to, any part of the price.

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<sup>16</sup> Baoshan REQ, Exhibit A-2.5 refers.

<sup>17</sup> 658 EPR Item No. 025, Chapter 3.3.3.2, pp. 7-8 refers.

<sup>18</sup> Section 269TAA(1)(b) of the Act

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Analysis of Baoshan's domestic sales also found they were profitable overall with respect to Baoshan's reported cost of production and SG&A expenses.

### **3.2.2 Related customer profitability**

Investigation 658 concluded that sales by Baoshan's related party steel trading customer Shanghai Baosteel Steel Products Trading Co Ltd, were arms length transactions. This entity, amongst others, also purchased plate steel from Baoshan during the investigation period.

The Commission sought the financial statements for Baoshan's related customers who covered almost 100% of plate steel sales during the investigation period for 688. This included Shanghai Baosteel Steel Products Trading Co Ltd. The statements indicated at least one customer was unprofitable overall with all other customers generating a profit. The available information was not sufficient to determine if the related party sales of like goods were profitable.

### **3.3 Do the accounting records comply with generally accepted accounting principles?**

The Commission finds that Baoshan's accounting records for the investigation period comply with the generally accepted accounting principles of China. This is based on the auditor's opinion contained in the financial statements for the 2024 financial year which concluded Baoshan's financial accounts comply with the Chinese accounting standards.

### **3.4 Did the production records reasonably reflect competitive market costs?**

This investigation includes a claim that cost inputs such as iron ore, coke, coking coal, limestone and electricity, do not reasonably reflect competitive market costs. The Commission considers these claims also extend to semi-finished materials, such as steel slab, that is consumed to produce the goods and like goods.

Where the criteria in regulation 43(2) are not satisfied, the Minister is neither required to, nor prohibited from, using an exporter's records pursuant to section 269TAC.

The Commission collected information about iron ore, coke, coking coal and steel slab. The Commission will review this information when assessing the claim that the cost records do not reasonably reflect competitive market costs.

This report has not fully considered if the exporter's production records reasonably reflect competitive market costs on account of the investigation involving a claim of particular market situation. The Statement of Essential Facts will provide further details concerning the assessment of the exporter's production records.

### **3.5 Related party suppliers**

Baoshan provided a listing of its raw materials purchases at G-7.4 of its REQ. This listing provided purchasing data for iron ore, coal, coke and steel slab. Baoshan also provided a purchase listing for one of its related party materials trader who sourced iron ore from international suppliers.

### **3.6 Were domestic sales in the ordinary course of trade?**

This report has not assessed if domestic sales were in the ordinary course of trade on account of the investigation involving a claim of particular market situation. The Commission's consideration of this claim and the determination of normal value will be fully detailed in the Statement of Essential Facts.

### **3.7 Is there a low volume of relevant domestic sales?**

This report has not assessed the volume of relevant domestic sales on account of the investigation involving a claim of particular market situation. The Commission's consideration of this claim and the determination of normal value will be fully detailed in the Statement of Essential Facts.

### **3.8 Domestic sales volumes for each model**

This report has not assessed the sales volume of relevant domestic models on account of the investigation involving a claim of particular market situation. The Commission's consideration of this claim and the determination of normal value will be fully detailed in the Statement of Essential Facts.

### **3.9 Adjustments to compare export price and normal value**

This report has not examined adjustments relevant to the comparison of export price and normal value on account of the investigation involving a claim of particular market situation. The Commission's consideration of this claim and the determination of normal values will be fully detailed in the Statement of Essential Facts.

## **4. Countervailable subsidy**

At question of I-3 of its REQ, Baoshan reported it was eligible for preferential tax arrangements. Baoshan provided information it was recognised as a High and New Technology Enterprise (HNTE) making it eligible for a preferential corporate income tax rate of 15%.

At question of I-4.1 of its REQ, Baoshan reported it received benefits in the form of grants payments and amounts relating to a double deduction of Value Added Tax (VAT).

Baoshan also reported purchasing raw materials from suppliers it identified as a State Owned Enterprise (SOE). This covered purchases of iron ore, coal and steel slab that Baosteel Zhanjiang reported in a listing of its raw materials purchases at G-7.4 of its REQ (as amended on 30 March 2026).<sup>19</sup>

The Commission notes that Investigation 658 found Baoshan received a countervailable subsidy in the form of loans at preferential rates of interest.<sup>20</sup>

The Commission's assessment of countervailable subsidies relevant to Baoshan will be outlined SEF 688.

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<sup>19</sup> See Material Revision 1 in chapter 1.1

<sup>20</sup> Program 177 in Termination Report 658, p. 45.

## **5. Appendices and attachments**

**Confidential attachment 1:** Verification work program