



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

Baosteel Zhanjiang 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 Baosteel Zhanjiang Iron and Steel Co Ltd (Baosteel Zhanjiang).

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 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) ¹	Refer to chapter 3	To be determined	To be determined

Table 1: Summary of preliminary variable factors for Baosteel Zhanjiang

The Commission determined that no onsite or virtual verification would be conducted for Baosteel Zhanjiang due to it being subject to a verification for the purpose of Investigation 658 into exports of Hot Rolled Coil (HRC).² 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 Baosteel Zhanjiang's sales into the domestic market in China and the Australian market.

The Commission has therefore assessed Baosteel Zhanjiang by having regard to its response to the exporter questionnaire (REQ), questionnaires received by other exporters cooperating with the investigation, and relevant findings and conclusion concerning Baosteel Zhanjiang for Investigation 658.

¹ All legislative references are to the *Customs Act 1901* (Cth) (the Act).

² 658 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.

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

1 Response to the exporter questionnaire

Baosteel Zhanjiang's response was received within the legislated period and contained relevant information regarding the following:³

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

Baosteel Zhanjiang is considered a cooperative exporter.

The public version of Baosteel Zhanjiang's REQ is available on the electronic public record (EPR) for this case on the Commission's website at www.adcommission.gov.au.⁴

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 Baosteel Zhanjiang'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: Australian sales listing (REQ B-2)

Description: The initial version of the purchase listing provided in Baosteel Zhanjiang's REQ met the Commission's requirements. However, upon comparing the sales reported by Baosteel Zhanjiang's related Australian customer, Bao Australia, the Commission identified a limited number of irregularities concerning model control codes (MCCs) and supplier invoice references.

Resolution: Baosteel Zhanjiang provided a revised Australian sales listing on 26 May 2026.

Material revision 3: 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, Baosteel Zhanjiang, the Commission identified a limited number of irregularities concerning MCCs and supplier invoice references.

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

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

⁴ EPR 688 – document 011.

2 Export price

For the purpose of this preliminary assessment, the Commission proposes to determine an export price for Baosteel Zhanjiang 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 Baosteel Zhanjiang's exports that involved an intermediary in the sale of the goods to the Australian importer.

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).

As outlined in chapter 2.3 below, the Commission found that all of Baosteel Zhanjiang'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 Baosteel Zhanjiang's exports of the goods were not arms length transactions (see discussion at section 2.3 below).

The Commission therefore proposes to determine an export price for Baosteel Zhanjiang 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 import⁵
- ocean freight and marine insurance⁶
- Bao Australia's profit on the sale of the imported goods⁷
- Howa Trading SG&A expenses.

2.1 Who is the exporter?

The Commission considers Baosteel Zhanjiang 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

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

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

⁷ 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.

- is named as the importer on import declarations to ABF

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

All of Baosteel Zhanjiang'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.

Based on the findings outlined below in chapter 2.3.1, the Commission finds it reasonable to conclude that Baosteel Zhanjiang'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 Baosteel Zhanjiang'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.⁸

2.3.1 Related customers

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

Evidence provided in Baosteel Zhanjiang's REQ also established the following.

- Baosteel and Howa Trading were wholly owned subsidiaries of Baoshan Iron and Steel during the investigation period, and Bao Australia was a wholly owned subsidiary of Howa Trading.⁹
- Bao Australia purchased the Australian export goods exclusively from Baosteel Zhanjiang and other related entities.¹⁰
- Howa Trading covered the cost of ocean freight and marine insurance.
- Baosteel Zhanjiang covered the cost of inland transport to the port of export in China and the port of export handling expenses.

In relation to Baosteel Zhanjiang's Australian exports of HRC, the Commission observed the supply chain arrangements in place for the export of HRC were 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 Baosteel Zhanjiang's exports of HRC to Australia examined by Investigation 658 were not sold in arms length transactions.¹¹

The arms length findings concerning Baosteel Zhanjiang'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 Baosteel Zhanjiang'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. Other than referring to monthly updates, the questionnaire responses offered limited insight concerning pricing negotiations.

⁸ Section 269TAA(1)(b) of the Act

⁹ Baosteel Zhanjiang REQ, Exhibit A-2.5 refers.

¹⁰ Baosteel Zhanjiang REQ, Exhibit A-2.5 refers.

¹¹ 658 EPR Item No. 025, Chapter 3.2.3, p. 6 refers.

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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 Baosteel Zhanjiang'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 sum of the cost of goods purchased from Baosteel Zhanjiang, 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 Baosteel Zhanjiang'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 Baosteel Zhanjiang'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.¹² This finding relies on observations concerning the following circumstances that were relevant to the arms length findings for Baosteel Zhanjiang in Investigation 658 and are also considered relevant to the finding for Investigation 688.

- Baosteel Zhanjiang'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 Baosteel Zhanjiang, 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 Baosteel Zhanjiang'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.¹³

2.3.1 Importer profitability

The Commission found that Bao Australia, the importer of the goods exported to Australia by Baosteel Zhanjiang, sold the imported goods to unrelated customers in arms length transactions. Bao Australia's sales of plate steel imported from Baosteel Zhanjiang 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.

¹² Section 269TAA(1)(b) of the Act

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

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

The Commission finds that, during the investigation period, Baosteel Zhanjiang 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.

3.1.1 Physical likeness

Baosteel Zhanjiang does not distinguish between domestic like goods and the Australian export goods based on physical characteristics. The Commission notes however that Baosteel Zhanjiang 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

Baosteel Zhanjiang 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 Baosteel Zhanjiang’s domestic sales of the 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 Baosteel Zhanjiang’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 Baosteel Zhanjiang’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.¹⁴

3.2.1 Related customers

For all domestic sales, Baosteel Zhanjiang 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 Baosteel Zhanjiang’s domestic sales of plate steel are either identical or cannot be easily distinguished from those observed in relation to Baosteel Zhanjiang’s domestic sales of HRC examined by Investigation 658.

¹⁴ Section 269TAA(1)(b) of the Act.

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Evidence provided in Baosteel Zhanjiang's REQ also established the following.

- Domestic traders during the investigation period were wholly owned by an entity related to Baosteel Zhanjiang, both Baosteel Zhanjiang and related affiliated are wholly owned subsidiaries of Baoshan Iron and Steel.¹⁵
- Domestic customers purchased the goods exclusively from Baosteel Zhanjiang and other related entities.¹⁶

The Commission verified Baosteel Zhanjiang's domestic sales of HRC for the purpose of Investigation 658 and found the like goods were not sold in arms length transactions.¹⁷

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

Baosteel Zhanjiang'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 Baosteel Zhanjiang's related customers and their end-user customer. Baosteel Zhanjiang then receives a pre-agreed profit margin based on the contract price paid by the end-user customer.

Based on the disclosures in Baosteel Zhanjiang's REQ, it appears that price negotiations are performed by other entities, rather than involving Baosteel Zhanjiang. The amount of profit earned by Baosteel Zhanjiang is based on a price negotiation that does not include Baosteel Zhanjiang and is a pre-agreed figure. It is therefore unclear as to whether Baosteel Zhanjiang and its related customer engage in genuine bargaining when deciding on the price of like goods supplied by Baosteel Zhanjiang.

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 Baosteel Zhanjiang'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 Baosteel Zhanjiang'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.¹⁸ This finding relies on observations concerning the following circumstances that were relevant to the arms length findings for Baosteel Zhanjiang in Investigation 658 and are also considered relevant to the finding for Investigation 688.

- Baosteel Zhanjiang'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 Baosteel Zhanjiang and its domestic related customers are likely in place for the purpose of plate steel.

¹⁵ Baosteel Zhanjiang REQ, Exhibit A-2.5 refers.

¹⁶ Baosteel Zhanjiang REQ, Exhibit A-2.5 refers.

¹⁷ 658 EPR Item No. 025, Chapter 3.3.3.2, pp. 7-8 refers.

¹⁸ Section 269TAA(1)(b) of the Act.

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Although the Commission finds Baosteel Zhanjiang'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.

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

3.2.2 Related customer profitability

Investigation 658 concluded that sales by Baosteel Zhanjiang'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 Baosteel Zhanjiang'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 profits. 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 Baosteel Zhanjiang'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 Baosteel Zhanjiang'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

Baosteel Zhanjiang provided a listing of its raw materials purchases at G-7.4 of its REQ (as amended on 30 March 2026).¹⁹ 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 traders who sourced iron ore from international suppliers.

Having regard to the price reported for sales to related and unrelated parties, and other information provided by Baosteel Zhanjiang, related party purchases appeared to reflect arms length transactions.

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 I-3 of its REQ, Baosteel Zhanjiang reported it was eligible for preferential tax arrangements. Baosteel Zhanjiang 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 I-4.1 of its REQ, Baosteel Zhanjiang reported it received benefits in the form of grants payments and amounts relating to a double deduction of Value Added Tax (VAT).

Baosteel Zhanjiang also reported purchasing raw materials from suppliers it identified as a State Owned Enterprise (SOE). This covered purchases of iron ore, coal, coke and steel

¹⁹ See Material Revision 1 in chapter 1.1.

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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).²⁰

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

²⁰ See Material Revision 1 in chapter 1.1

5 Appendices and attachments

Confidential attachment 1: Verification work program