



Australian Government
Australian Customs and
Border Protection Service

PUBLIC RECORD

PUBLIC FILE
FOLIO 132

INTERNATIONAL TRADE REMEDIES BRANCH

INVESTIGATION

INTO THE ALLEGED DUMPING OF CERTAIN
HOLLOW STRUCTURAL SECTIONS (HSS)
EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA, THE REPUBLIC OF KOREA, MALAYSIA,
TAIWAN AND THE KINGDOM OF THAILAND

AND

ALLEGED SUBSIDISATION OF HSS EXPORTED
FROM THE PEOPLE'S REPUBLIC OF CHINA

EXPORTER VISIT REPORT

DALIAN STEELFORCE HI TECH CO. LTD

February 2012

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY
NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION

1 CONTENTS

1	CONTENTS	2
2	BACKGROUND	3
2.1	Background to the current investigation	3
2.2	Purpose of visit	4
2.3	Meeting dates and attendees	4
2.4	Preliminary issues	4
3	COMPANY INFORMATION	6
3.1	General	6
3.2	Company information	6
3.3	Related parties	6
3.4	Accounting	7
4	GOODS UNDER CONSIDERATION AND LIKE GOODS	8
4.1	The goods	8
4.2	Product Range	9
4.3	Production facility and process	11
4.4	Goods exported to Australia	11
4.5	Like goods	12
4.6	Like goods – preliminary assessment	12
5	SALES TO AUSTRALIA	13
5.1	General	13
5.2	Verification of export sales up to audited financial statements	14
5.3	Verification of export sales down to source documents	15
5.4	Forward orders	15
5.5	The exporter	15
5.6	The importer	16
5.7	Arms length	16
5.8	Suitability of the invoice price in ascertaining the export price	16
5.9	Export price – preliminary assessment	17
6	COST TO MAKE & SELL	19
6.1	Approach to verification	19
6.2	CTMS data	19
6.3	Production volume	21
6.4	Verification of manufacturing costs data	22
6.5	Verification of selling, general and administration (SG&A) expenses data	26
6.6	Conclusion	29
7	DOMESTIC SALES	30
7.1	General	30
7.2	Verification of domestic sales up to audited financial statements	31
7.3	Verification of domestic sales down to source documents	31
7.4	Arms length	32
7.5	Volume of sales and ordinary course of trade	32
7.6	Domestic sales conclusion	32
8	THIRD COUNTRY SALES	33
9	ADJUSTMENTS	34
10	NORMAL VALUE	35
11	DUMPING MARGIN	36
12	MARKET SITUATION – HRC PURCHASES	37
12.1	General	37
12.2	Verification of HRC purchases	37
13	SUBSIDIES	39
13.1	General	39
13.2	Program 10 Preferential Tax Policies for Foreign Invested Enterprises	39
13.3	[CONFIDENTIAL TEXT DELETED – program alleged to be applicable to Dalian Steelforce] 39	
13.4	[CONFIDENTIAL TEXT DELETED – program alleged to be applicable to Dalian Steelforce] 40	
14	LIST OF APPENDICES AND ATTACHMENTS	41

2 BACKGROUND**2.1 Background to the current investigation**

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd on behalf of the Australian industry manufacturing certain hollow structural sections¹ (HSS), lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice² in respect of HSS exported to Australia from the People's Republic of China (**China**), Korea, Malaysia, Taiwan and Thailand and a countervailing duty notice in respect of HSS exported to Australia from China.

The application alleges that exports of HSS from the above nominated countries has been exported to Australia at prices less than its normal value and that this dumping has caused material injury to the Australian industry.

Following consideration of the application, an investigation was initiated by Customs and Border Protection on 19 September 2011. Public notification of initiation of the investigation was made in *The Australian* newspaper on 19 September 2011. Australian Customs Dumping Notice (ACDN) No. 2011/43 provides further details of this investigation and is available at www.customs.gov.au.

At initiation, Dalian Steelforce Hi-Tech Co., Ltd. (**Dalian Steelforce**) was identified as an exporter of HSS from China. Customs and Border Protection wrote to Dalian Steelforce seeking their cooperation with the investigation and provided the company with an exporter questionnaire.

The company completed and lodged a response to the exporter questionnaire, which was supported by non-confidential and confidential versions and appendices and attachments. Customs and Border Protection reviewed the exporter questionnaire response and placed the non-confidential version of the response on the Public Record.

The company's exporter questionnaire response were assessed and found to be sufficient to warrant a verification visit. Subsequently, Customs and Border Protection undertook a verification visit at the company's premises.

This report details the discussion and verification undertaken during meetings with Dalian Steelforce, and makes recommendations for relevant determinations regarding the company within this investigation.

¹ Refer to the full description of the goods in section 4 of this report.

² under s. 269TAB(1)(a) of the *Customs Act 1901*. A reference to a section or subsection in this report is a reference to a provision of the Act, unless otherwise specified.

2.2 Purpose of visit

The purpose of the visit was to verify information submitted by Dalian Steelforce in its exporter questionnaire response. Information verified during the visit has been used to make preliminary assessments regarding:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

2.3 Meeting dates and attendees

Location	A-7 DD Street, DD Port Dalian Development Zone, Liaoning Province, China
Dates	15 February 2012 – 17 February 2012
Dalian Steelforce representatives	Mr Shengping Li, Manager Mr Rod Corkill, CEO, Steelforce Trading Pty Ltd Mr Justin Lin, Vice General Manager Ms Ping Li, Chief Accountant
Consultants	Mr Daniel Moulis, Moulis Legal Mr Alistair Bridges, Moulis Legal
Customs and Border Protection	Mr Arthur Vlahonasios, Manager, Operations 2 Mr An Chew, Supervisor, Operations 2 Mr Jason Farr, Supervisor, Operations 1

2.4 Preliminary issues

Prior to the meeting, we forwarded Dalian Steelforce an agenda that included the sales transactions selected for detailed verification, see **confidential attachment GEN 1**.

As Dalian Steelforce has been involved with previous Australian anti-dumping and countervailing investigations, and is familiar with the key dates of the current investigation, we did not discuss the background and timeframes of the investigation.

However, for the purpose of this report, the details are as follows:

- The investigation period to determine whether dumping and/or subsidisation has occurred is 1 July 2010 to 30 June 2011;
- The injury analysis period to examine the Australian market and the economic condition of the industry is 1 July 2007 to 30 June 2011;

- A preliminary affirmative determination was made on 23 December 2011 and provisional measures, in the form of securities, were imposed on HSS entered for home consumption on or after 10 January 2012. However, no securities were required from Dalian Steelforce.
- A statement of essential facts (**SEF**) was due to be placed on the public record by 9 January 2012. Due to the complexity of the issues surrounding the investigation, as well as extensions of time allowed for various interested parties to supply information, Customs and Border Protection requested an extension of the deadline for the publication of the SEF. The Minister, under s. 269ZHI, extended the deadline for the publication of the SEF. The SEF will now be placed on the public record no later than 23 April 2012.
- The SEF will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is now due no later than 7 June 2012.

Dalian Steelforce cooperated with the verification of the exporter questionnaire responses and provided further information when requested.

3 COMPANY INFORMATION**3.1 General**

The company describes itself as a manufacturer and exporter. Dalian Steelforce advised that it was established for the main purpose of supplying HSS and limited fabricated products to Steelforce Trading Pty Ltd (Steelforce Trading) in Australia. This business model was confirmed in the importer visit report for Steelforce Trading (January 2012).

The company advised in its response to the exporter questionnaire that Dalian Steelforce is registered as a liability limited company (wholly owned foreign enterprise) under the laws of China. **[CONFIDENTIAL TEXT DELETED – group structure]**

Dalian Steelforce provided us with a diagram of the Steelforce Group corporate structure in its response to the exporter questionnaire, which we have reconstructed here:

[CONFIDENTIAL TEXT DELETED – group structure]

The corporate structure diagram provided by Dalian Steelforce indicates that **[CONFIDENTIAL TEXT DELETED]**.

3.2 Company information

At the visit Dalian Steelforce outlined its basic structure as reflected above and advised that it had a seven (7) year history in Dalian, China. The company also advised that it had Australian ISO accreditation and it specifically focused on achieving international safety and environmental standards.

In our visit we did not explore current employee numbers. However, Dalian Steelforce advised that its manufacturing plant currently operates **[CONFIDENTIAL TEXT DELETED – factory operations]**

Dalian Steelforce further advised as part of its response to the exporter questionnaire that it made a commercial decision to locate itself in the Dalian Development Zone (previously referred to as Dalian Hi-Tech Zone DD Port) because of **[CONFIDENTIAL TEXT DELETED – details of supplier]**, good infrastructure, and proximity to the port of Dalian.

Dalian Steelforce explained that it previously entered into a price undertaking with Customs and Border Protection, but this ended half way through last year.

3.3 Related parties

[CONFIDENTIAL TEXT DELETED – commercial relationships].

3.4 Accounting

The company operates on a calendar financial year (1 January to 31 December) for Chinese government reporting requirements, but on a July to June financial year for reporting for Australian requirements (to its Australian parent company). The Chinese calendar year accounts are audited by external auditors.

Within its response to the exporter questionnaire, Dalian Steelforce provided its audited accounts for the years ending 31 December 2009 and 2010 (English). Copies of these reports are at **confidential attachment GEN 2 and 3**. Dalian Steelforce also provided us with the management accounts for Dalian Steelforce, see **confidential attachment GEN 4**.

We noted the auditor's opinion for the audited accounts for the year ended December 2010 stated:

"...the financial statements present fairly, in all material respects, the financial position of Dalian Steelforce Hi-Tech Co Ltd as of Dec 31, 2010, and of its financial performance and its cash flows covering from Jan 1, 2010 to Dec 31 2010 in accordance with the <Accounting Standards for Business Enterprises>".

Dalian Steelforce advised during our verification of completeness that Dalian Steelforce's management accounts are reviewed by external auditors and any comments are incorporated in the year ended 30 June Australian statutory accounts for the Steelforce Group, which are reviewed and audited by Ernst and Young. In this regard, Dalian Steelforce advised that the accounting principles adopted in Australia apply to the whole group.

At the visit Dalian Steelforce provided us with the audited financial report for the Steelforce Group, see **confidential attachment GEN 5**.

[CONFIDENTIAL TEXT DELETED – details of internal accounting]

Dalian Steelforce advised that it uses an off-the-shelf integrated financial management system called *Yangyou*. Dalian Steelforce drew on this system to provide financial ledgers and other information as required during the visit. As part of its response to the exporter questionnaire, Dalian Steelforce provided a Chart of Accounts, see **confidential attachment GEN 6**.

4 GOODS UNDER CONSIDERATION AND LIKE GOODS**4.1 The goods**

The goods the subject of the application are:

Certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.

Sizes of the goods are, for circular products, those exceeding 21 mm up to and including 165.1 mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.

The application includes the following information to clarify the nature of the goods.

Finishes

All HSS regardless of finish is included in the application. Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS. Non-galvanised HSS is typically of painted, black, lacquered or oiled finished coatings.

CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the application.

Standards

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS). HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 megapascals (MPa).

HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.

Excluded goods

The following categories are excluded from the goods subject of the application:

- conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1 mm on outer surface and 0.25 mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6 mm in order to maintain vibration free rotation and minimum wind noise during operation);

- precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- air heater tubes to AS 2556.

4.1.1 Tariff classification

The application stated that the goods are classified to the following tariff subheadings:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 23); and
- 7306.69.00 (statistical codes 26, 27 and 28).

The goods exported to Australia from Korea and Taiwan are subject to a 5% rate of duty. For China and Malaysia the goods exported to Australia are subject to a 4% rate of duty. The goods exported to Australia from Thailand, using Thailand Free Trade Agreement, are free from duty as of 1 January 2010.

4.2 Product Range

Dalian Steelforce produces CHS, RHS (which Dalian Steelforce also categorised as including SHS) and oval HSS. The company advised that it does not manufacture hot-dipped galvanised or ILG HSS. In addition to HSS, Dalian Steelforce also produces a limited range of non-HSS, namely 'cattle panels' and 'gates', which it identified as fabricated product. Dalian Steelforce also identified that it purchases and sells some flat profile product domestically for export.

Dalian Steelforce advised that it also sells its downgrade and scrap, as outlined further below.

In its response to the exporter questionnaire, Dalian Steelforce outlined that it produces HSS with five finishes:

- black, also referred to as not oiled, painted or coloured (NOPC);
- blue painted HSS;
- red painted (pipe only) HSS;
- black painted (pipe only) HSS; and
- pre-galvanised HSS.

[CONFIDENTIAL TEXT DELETED – types of products/markets]

Dalian Steelforce appropriately categorised HSS into the four following categories as part of its Australian sales listing:

- prime painted pipe;
- prime pre-galvanised pipe;
- downgrade painted pipe; and
- downgrade pre-galvanised pipe.

Dalian Steelforce produces HSS of varying lengths and sizes, [CONFIDENTIAL TEXT DELETED – types of products].

4.2.1 HRC

The company advised that it only uses hot rolled coil (HRC) as the standard material for production of its HSS. [CONFIDENTIAL TEXT DELETED – details of types/s of raw materials]. Dalian Steelforce explained that it was not necessary to use HRC to produce to the required standard of its customers, but it chose to do so because of the efficiencies in using coil over narrow strip. In this regard, Dalian Steelforce submitted in written form on day two (see confidential attachment GEN 7) that:

"Dalian Steelforce purchases high volumes of coil from [CONFIDENTIAL TEXT DELETED] because its coil is the most amenable to being used to manufacture Australian Standard compliant HSS.

[CONFIDENTIAL TEXT DELETED – attributes of raw material]

Dalian Steelforce advised that its HRC was chemically tested (for its chemical composition) by the mill that manufactured it. See section 10 of this report below for further details on HRC purchases and volumes.

4.2.2 Prime product, downgrade and scrap

Dalian Steelforce advised that it produces AS 1163 and AS 1074 standard product for export to Australia. Dalian Steelforce explained during the visit that it considered the unblemished Australian standard product that meets Dalian Steelforce's quality standards and meets the requirements of the applicable Australian standards is 'prime' product, and it classified any 'non-conforming' product as 'downgrade' HSS and scrap.

The company undertakes extensive testing to ensure that its product meets the requirements of the Australian Standard. In order to produce to the AS 1163 standard Dalian Steelforce advised that mechanical testing was undertaken on samples of the product. Testing was generally undertaken on one bundle in every 50 tonnes, or less for smaller sizes. Dalian Steelforce advised that it previously outsourced its testing requirements to an ILAC laboratory but it now had set up the appropriate equipment and facility to undertake testing at its manufacturing plant. The testing facility is audited yearly in order to retain its accreditation. Dalian Steelforce advised that to produce to the AS 1074 a further hydraulic test was required.

We viewed the testing facility during our inspection of the manufacturing facility and we observed the testing equipment for mechanical stretch testing and the punch test for 6 mm pipe.

Downgrade

We understand that downgrade is completed whole pipe that, while still technically HSS, does not meet the requirements of the relevant Australian standards for prime HSS.

Dalian Steelforce explained that the most common kind of downgrade consists of lengths of pipe that contain the butt weld between two strips of HRC or where the pipe is not sufficiently straight. Product may also be classed as downgrade after its finish is applied, where the finish is marked or not be of a sufficient standard.

Dalian Steelforce advised that some of its downgrade is exported to Australia for use in agricultural applications. In this regard, Dalian Steelforce identified that it only exported **[CONFIDENTIAL TEXT DELETED]** tonnes of downgrade HSS to Australia during the investigation period.

Scrap pipe and scrap

Dalian Steelforce advised that, during the HSS manufacturing process, it produces scrap pipe, which are pipes that are broken, have an open-weld (not properly sealed during the welding process), or have been cut to too short a length. These pipes are essentially deficient and are not considered, HSS.

We understand that no true scrap pipe or actual scrap is exported to Australia, as it is only sold on the domestic market. The company explained that scrap pipe product is distinct from 'true scrap', which consists of slitting losses and weld trims.

During the visit Dalian Steelforce explained that slitting losses and weld trims are sold on the domestic market as scrap steel. Dalian Steelforce confirmed that it generally only sold scrap to scrap merchants.

Dalian Steelforce considers, and we agree, that scrap (including scrap pipe) are not the goods under consideration for the purpose of the investigation.

4.3 Production facility and process

During the visit, we inspected the manufacturing facility and observed the HSS production process. We witnessed the operation of Mill 2 (the larger of the two lines), as well as the slitting process of HRC.

As above, Dalian Steelforce advised that its manufacturing plant currently operates **[CONFIDENTIAL TEXT DELETED – factory operation]**. Dalian Steelforce provided details on its production capacity as part of its response to the exporter questionnaire, see **confidential attachment GEN 8**. At the visit Dalian Steelforce advised that its production figures accurately represent that realistic capacity of its plant.

We observed the manufacturing process as follows:

[CONFIDENTIAL TEXT DELETED – details of production processes]

4.4 Goods exported to Australia

Dalian Steelforce advised that every type of HSS it manufactures is exported to Australia, including some of its downgrade. In its response to the exporter questionnaire, the company advised that the goods it exports to Australia are described as follows:

- RHS/SHS (square and rectangular hollow sections) – Australian tariff item is 7306.61.00, Australian State Codes ("ASC") 21 to 23.
- CHS (circular hollow section/round pipe) – Australian tariff item 7306.30.00, ASC from 29 to 37; and
- Oval pipe (oval rail/cattle rail) – Australian tariff item 7306.69.00, ASC 26 and 28).

The above goods were all listed since they were identified as being the goods under consideration (**GUC**).

The fabricated goods produced by Dalian Steelforce for export to Australia are not the GUC for the purpose of the investigation.

Dalian Steelforce provided us with mill certificates for CHS product exported to Australia, see **confidential attachment GEN 9**. Dalian Steelforce advised that it was a regulatory requirement in China to produce mill certificates for CHS, but not for RHS and SHS due to the relatively small volumes sold of these varieties of HSS on the domestic market, and therefore Dalian Steelforce only provided us with mill certificates for CHS (round pipe). Dalian Steelforce further advised that it generally only provided mill certificates to its Australian customers upon request.

4.5 Like goods

[CONFIDENTIAL TEXT DELETED – details of domestic sales]

All domestic sales identified by Dalian Steelforce during the investigation period were identified as falling within the description of the goods and therefore have been treated as like goods by the company.

Dalian Steelforce advised that it does not produce HSS specifically for the domestic market. The company noted that all HSS it produces is manufactured to Australian standards and is intended for export to Australia – any domestic sales of HSS made are taken from free stock held, which was originally produced for Australian export purposes.

Therefore, each type of the domestically-sold HSS is identical to a particular type of HSS exported to Australia as all types of HSS produced by Dalian Steelforce are originally produced for export to Australia or third countries, which use the same standard product (see third country sales section below).

4.6 Like goods – preliminary assessment

We consider that the HSS (including downgrade) produced by Dalian Steelforce, which is sold domestically, is identical to those HSS products exported to Australia under section 269T(1) of the Act. This is consistent with previous findings. However, please see our conclusion in respect to sufficiency of domestic sales below.

5 SALES TO AUSTRALIA**5.1 General**

In the exporter questionnaire response, the company provided a detailed export sales spreadsheet (**confidential attachment EXP 1**) showing export sales to its only Australian importer, Steelforce Trading. The spreadsheet shows that Dalian Steelforce exported **[CONFIDENTIAL TEXT DELETED]**, during the investigation period.

5.1.1 Export sales process

The company provided details of its negotiation and ordering process in relation to its export sales at B-2(e) of its exporter questionnaire response. We note that the Steelforce Trading importer visit report also provides details of the process. At the visit, Dalian Steelforce provided further explanation of its sales process (**confidential attachment EXP 2**).

In general, we note that Dalian Steelforce provides its importer with rolling HSS offer prices each month, **[CONFIDENTIAL TEXT DELETED – details of price factors and negotiations]**

5.1.2 Currency

Dalian Steelforce sells HSS to its Australian customer in US dollars (**USD**). In its exporter questionnaire response, Dalian Steelforce provided the USD/RMB³ foreign exchange rate for each export sales transaction as reported in its accounting system. **[CONFIDENTIAL TEXT DELETED – exchange rate data]**

5.1.3 Terms of trade

Dalian Steelforce states that its export prices are on free-on-board (**FOB**) terms. It explains that it is responsible for inland transport costs from its warehouse to the port of Dalian and port charges.

5.1.4 Payment terms

The detailed sales spreadsheet shows that the payment terms of Dalian Steelforce's export sales are **[CONFIDENTIAL TEXT DELETED]**.

5.1.5 Discounts, rebates and allowances

Dalian Steelforce states that it does not offer any rebates, discounts or credit notes to its Australian customer.

5.1.6 Date of sale

The detailed sales spreadsheet includes a column titled 'invoice date' and column titled 'date of sale'. Dalian Steelforce advised that the 'invoice date' column refers to the date on the invoice, while the 'date of sale' column refers to the Chinese

³ Renminbi, the official currency of China and legal tender in mainland China.

Customs declaration date. Dalian Steelforce states that it considers the invoice date to be appropriate date of sales.

[CONFIDENTIAL TEXT DELETED – commercial date of sale information]

5.2 Verification of export sales up to audited financial statements

We sought to verify the completeness and relevance of Dalian Steelforce's detailed export sales spreadsheet up to audited financial statements. Dalian Steelforce was able to demonstrate the reconciliation of its income statement to its parent company's, Steelforce Holdings', audited financial report for financial year (FY 2011) (**confidential attachment GEN 5**). To demonstrate this, Dalian Steelforce provided us with a package of documents (**confidential attachment EXP 4**) that included:

- its income statement for the 12 month period ending June 2011;
- an Auditor's adjustment report for June 2011; and
- a breakdown of Steelforce Holdings performance for year ending 30 June 2011.

Using these documents, we were able to reconcile Dalian Steelforce's net profit after tax from its income statement to the Steelforce Holdings performance report, after applying the auditor's adjustment and an average AUD/RMB exchange rate of [CONFIDENTIAL TEXT DELETED]. We were then able to match the net profit for the group to the audited financial report.

Once satisfied that the income statement reconciled to audited financial statement, we then sought to reconcile the gross sales value reported in the income statement to the total invoice value shown in the detailed export sales spreadsheet. Dalian Steelforce provided us with a spreadsheet of its income statement with calculations (**confidential attachment EXP 5**) that shows that the gross sales value is made up of sales of:

- Fabricated products (cattle panels & gates);
- Domestic sales (see section 7.2 below for further reconciliation details);
- Third country sales (sales value matches the detailed third country sales spreadsheet); and
- Export sales to Australia.

We then attempted to substantiate the fabricated products value. Dalian Steelforce provided us with a detailed income statement (**confidential attachment EXP 6**) showing the monthly sales breakdown of each of its operating revenue sources. Dalian Steelforce then provided us with the September 2010 and June 2011 fabrication sales ledger (**confidential attachment EXP 7**) and we were able to match the values from the ledgers to the detailed income statement.

Finally, we sought to reconcile the Australian export sales value from the income statement to the detailed export sales spreadsheet. Our initial attempt resulted in a variance of [CONFIDENTIAL TEXT DELETED] or 0.06%. Although this small variance would normally be acceptable, Dalian Steelforce advised that its calculation

of the variance was much lower. After looking into the issue, Dalian Steelforce provided us with an updated detailed sales spreadsheet (**confidential attachment EXP 8**). [CONFIDENTIAL TEXT DELETED]. The variance on the updated export sales spreadsheet was [CONFIDENTIAL TEXT DELETED] or less than 0.01%.

5.3 Verification of export sales down to source documents

Prior to the visit, we selected eight (8) invoices from the detailed export sales spreadsheet and requested that the company provide source documents in relation to each invoice.

For each selected invoice, the company provided copies of the following documents during the visit:

- commercial invoice;
- packing list;
- bill of lading; and
- freight forwarding invoice

Dalian Steelforce were also able to match the invoices to one or more offer number (i.e. the rolling monthly offers), then provided all the purchase orders for each of these offers.

We were then able to match the information in the source documents to the data contained in the detailed sales spreadsheet. The source documents, including proof of payment, of the selected invoices are at **confidential attachment EXP 11**.

5.3.1 Inland freight

In its detailed export sales spreadsheet, Dalian Steelforce included an inland transport column showing [CONFIDENTIAL TEXT DELETED] per tonne. Dalian Steelforce explained that it calculated this figure from its general ledger. However, as the dumping margin will be determined using a constructed normal value, inland freight expenses were included in its costs to make and sell and therefore, for further verification details of inland freight expenses, see section 6.5.2 below.

5.4 Forward orders

Dalian Steelforce provided us with documentation for forward orders at the time of the visit (**confidential attachment EXP 12**).

5.5 The exporter

We consider Dalian Steelforce is the exporter for direct export sales to Australia as it:

- is the manufacture of the goods;
- owns the goods at the time of export;
- is listed as the supplier on the bill of lading;

- invoices the Australian customer for the goods;
- arranges and pays the inland freight;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

5.6 The importer

We note that Dalian Steelforce's one and only Australian customer, Steelforce Trading:

- is named as the consignee on the bills of lading;
- organise the ocean freight, marine insurance from the port of Dalian, China; and
- arranges customs clearance, logistics, and delivery of the goods after they have been delivered to the Australian port.

We consider that Steelforce Trading is the importer of HSS exported by Dalian Steelforce and consider Steelforce Trading to be the beneficial owner of the HSS at the time of exportation from China.

5.7 Arms length

In respect of Dalian Steelforce's exports sales of HSS to Australia during the investigation period, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

[CONFIDENTIAL TEXT DELETED – details of price negotiations between related parties]

We therefore consider that all of Dalian Steelforce's export sales to Australia during the investigation period were not arms length transactions.

5.8 Suitability of the invoice price in ascertaining the export price

We note that the Steelforce Trading importer report make the following assessment regarding arms length:

With regard to the price being influenced by a commercial or other relationship Steelforce Trading advised that Dalian Steelforce's price to Steelforce Trading is agreed between the two parties, and is set by reference to Dalian Steelforce's

cost to manufacture plus costs associated with exportation, as well as some profit. As discussed in Section 4.2, the price between Dalian Steelforce and Steelforce Trading was previously at the breakeven level, but has since been revised to allow for profit following previous dumping investigations. We are therefore satisfied that the price between Dalian Steelforce and Steelforce Trading is influenced by their relationship and thus should not be considered to be arm's length.

However, subject to further investigations with the exporter, we consider that the price between Dalian Steelforce and Steelforce Trading may in any case be suitable for use in ascertaining the export price between these parties, subject to further investigations and assessment of the reasonableness of the price (in particular, the level of profit included in the price).

Dalian Steelforce argued that the price and the level of profit are reasonable as they are based on cost and the expectation of profit on Dalian Steelforce's part (**confidential attachment EXP 13**). It suggested a comparison of its export sales profitability with other HSS exporters to establish the reasonableness of Dalian Steelforce's export price.

In circumstances where sales between the exporter and importer are found to be non-arm's length, the export price would usually be ascertained at the price at which the goods were sold by the importer to a person who is not an associate of the importer, less prescribed deductions⁴. This is because associated companies have the ability to shift profits between the importer and exporter to generate preferential dumping margins. **[CONFIDENTIAL TEXT DELETED – commercial information/comments on financial performance]**

However, as discussed in the Steelforce Trading importer visit report, the majority of Steelforce Trading's sales of the goods are made to an associate of the Steelforce Trading, being Steelforce Australia, which precludes export prices of these transactions being ascertained using the deductive method. We consider that the inability to ascertain a deductive export price does not then render the non-arms length prices, in this situation, suitable in ascertaining an export price.

[CONFIDENTIAL TEXT DELETED – commercial information/comments on financial performance]

For these reasons, we are not satisfied that the invoiced price between Dalian Steelforce and Steelforce Trading is suitable for ascertaining the export price. We consider that a suitable export price calculation be based on the first arms length sale into the Australian market, being sales by Steelforce Australia, less prescribed deductions.

5.9 Export price – preliminary assessment

We consider that:

⁴ Section 269TAB(1)(b)

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were not arms length transactions.

However, we note that the majority of Steelforce Trading's sales of the goods are made to an associate of the Steelforce Trading, being Steelforce Australia. In relation to these exports by Dalian Steelforce to Steelforce Trading and subsequently sold to Steelforce Australia, we recommend that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Specifically, we recommend that further enquires be made with Steelforce Trading and Steelforce Australia to calculate the export price at which the goods were sold by Steelforce Australia, in the condition in which they were imported, to a person who is not associated with the Steelforce Group, less prescribed deductions.

In relation to exports by Dalian Steelforce to Steelforce Trading and subsequently sold to companies other than Steelforce Australia, we recommend that the export price be determined under subsection 269TAB(1)(b), the price at which the goods were sold by the importer, less prescribed deductions.

[CONFIDENTIAL TEXT DELETED - terms of sale]

Nonetheless, for the purpose of calculating an indicative dumping margin in this report, we have calculated the export price based on the invoice price between Dalian Steelforce and Steelforce Trading.

A summary of export prices is at **confidential appendix 1**.

6 COST TO MAKE & SELL**6.1 Approach to verification**

In its submission, the company provided unit cost calculations for each category of HSS, namely:

- Painted HSS;
- Pre-galvanised HSS;
- Non-conforming painted HSS; and
- Non-conforming pre-galvanised HSS.

The company also provided a unit cost calculation for scrap.

The data was presented separately for each category of HSS. The data was divided into the following cost categories:

- Direct manufacturing costs:
 - material costs,
 - labour costs, and
 - other costs;
- HSS outsourcing costs;
- Local transport, port charges & handling;
- Operating expenses;
- Depreciation & amortisation;
- Interest.

We explained to the company that we would choose samples from this costing data for the basis of our verification. We explained our requirement to trace the data submitted through management reports to audited financial statements, and also down to source documents.

In the cost to make and sell (CTMS) data submitted by the company, costs were shown separately for the entire investigation period (IP). The company also provided costs on a monthly basis.

Following verification, the company provided an updated version of its CTMS data, a copy of which forms **Confidential Appendix 2**.

6.2 CTMS data

In its response to the exporter questionnaire the company produced its *Analysis of Cost to Manufacture and Sell Dalian Product for the Month Ended FY 11* (Attachment 18) (**confidential attachment COSTS 1**, to this report). The company explained that it took the total value of direct and other manufacturing costs and general and administration expenses and allocated them to the production of the goods. The

total costs were allocated directly from the company's management reports (**confidential attachment COSTS 2**), which agreed with the audited statements (see section 5.2 *Verification of export sales up to audited financial statements*, above).

In verifying the company's sales revenue data, we had established that the company produced goods other than the goods being the GUC or like goods to the GUC. In particular, we identified "cattle panels and gates" (fabricated goods), and slitting and scrap sales. We asked the company to explain how it accounted for these goods in its calculation of its CTMS.

6.2.1 Treatment of fabricated goods

The company explained that the only expense account affected by costs not relevant to the production of the goods, was the *Material Costs – Other* account. The company explained that it was able to reverse out the costs of fabricated product and produced the fabricated costs ledger for FY 2011 (**confidential attachment COSTS 3**). [CONFIDENTIAL TEXT DELETED – details of production arrangements] In support of this explanation, the company produced its fabricated products expense ledger (**confidential attachment COSTS 4**), which it was able to agree to its audited statements (**confidential attachment COSTS 2**).

6.2.2 Treatment of scrap

The company explained that there were four types of scrap accounted for by the company:

- Short pipes (Code 05040001);
- Slitting loss (Code 05040002);
- Coil ends (Code 05040004); and
- Scrap pipes (Code 05040005).

The company explained that the difference between scrap and downgrade was that the former was completely unfit for purpose, whereas the latter, although not necessarily compliant with the standards to which the company produces HSS, was capable of some general (non-structural) applications to which the prime products are put. The company explained that the creation of scrap was an unintended consequence of the production of HSS.

We asked the company to explain its treatment of scrap. The company advised that although it was not able to attribute a quantity of scrap to a particular production run of HSS, scrap was collected at the various points of production, including slitting and was only quantified at the time it was dispatched for sale to the company's Scrap Merchants. For example in the January to June 2011 period, this occurred six times. The company produced the worksheets used to value the cost of scrap across this period, copies of which form **confidential attachment COSTS 5**.

The company explained that the value of the cost of scrap constituted the closing average value of all HRC slit and entered into WIP in the month. We compared the value for the worksheet in January 2011 (**confidential attachment COSTS 5**), and found that it agreed with the weighted average cost of slit coil entering production for that month, inclusive of pre-slit coil (refer **confidential attachment COSTS 6**).

To provide us with evidence of the completeness of the cost of coil, the company provided us with its cost of production worksheet for January 2011 (**confidential attachment COSTS 7**). We were able to agree the total manufacturing cost to the management reports (**confidential attachment COSTS 2**).

We asked the company whether it treated scrap sales as a revenue item, or a contra-expense item. The company explained that it treated the sale of scrap as a revenue item and did not use scrap sales to offset their cost of production. We explained to the company that there were two methods of accounting for by-products, such as scrap – the production method and sale method. The production method recognises by-products at the time their production is complete. Production costs are reduced by the net realisable value of by-products at the time they are produced. The sale method delays recognition of by-products until the time of their sale.

Although the company used the sale method, it did not off-set their CTMS by the value of the revenue arising from the sale of scrap. We explained to the company that all revenues and costs must be taken into account in establishing the CTMS. We consider that it is appropriate that revenue from scrap sales be deducted from raw material costs. The company revised its CTMS data to reflect the revenue received upon sale of scrap, the updated version of its CTMS data forms **Confidential Appendix 2**.

In the course of verifying sales data, we were satisfied of the completeness, relevance and accuracy of scrap sales revenue (refer section 5, above).

6.3 Production volume

The company explained that finished product was accounted for in terms of its theoretical weight. In other words, although inputs into production (slit coil) and scrap by-product are accounted for in terms of their actual weight, the finished pipe and tube is not. The company explained that this was necessary, as it sold its pipe and tube on a theoretical weight basis. We explained to the company that without the ability to determine the actual weight of production, we would be unable to verify the company's claimed efficiency of HSS production, in particular losses arising from slitting and scrap (for further discussion of this issue, refer *Verification of manufacturing costs data* section below).

6.3.1 Verification of completeness and relevance

We asked the company to verify its production volumes reported in its FY 2011 management reports (**confidential attachment COSTS 2**), which agreed with its audited income statements. The company began by agreeing its total production volume reported in the income statement to its CTMS worksheet (**confidential attachment COSTS 1**).

The company then produced its finished product inventory ledger, providing a detailed listing of all products produced across the investigation period (**confidential attachment COSTS 8**). The volumes agreed with the worksheet and the income statement. We were also able to agree the individual categories of goods to the detailed listing contained in the inventory ledger.

6.3.2 Verification of accuracy

To verify the accuracy of the inventory ledger, we asked the company to provide production records of at least one category of goods. The company demonstrated during our factory tour, that each bundle of finished goods were strapped, counted and tagged prior to being entered into stock. The stock count was entered electronically prior to entering the warehouse. The company then produced an electronic extract of its online stock-keeping system which agreed the total stock-keeping entries for pre-galvanised pipe, YTD June 2011, a hardcopy extract of which forms **confidential attachment COSTS 9**.

6.3.3 Verification of scrap volumes

We asked the company to also verify its volume of scrap contained in its audited income statement (**confidential attachment COSTS 2**). The company referred to its extract of the online stock-keeping system (**confidential attachment COSTS 9**).

Although discussed in section 6.2.2 (above), it is noted that scrap is allocated an inventory value equal to the weighted average cost of slit coil entering production and is treated as an income item at the value of the scrap sold.

6.4 Verification of manufacturing costs data

6.4.1 Material Costs – Coil

As explained in section 4.3 *Production Process* above, the company used both black and pre-galvanised HRC in its production of HSS. Within these two general categories, the company purchased a range of gauges and widths.

[CONFIDENTIAL TEXT DELETED – details of raw materials] In support of this explanation, the company supplied inspection certificates from its HRC suppliers (see **confidential attachment COSTS 10**).

We explained to the company that we required a complete listing of its HRC purchases across the IP. The company supplied a listing of its HRC purchases in the exporter questionnaire response (see 12 below for details).

We explained to the company that we required an actual cost of HRC net of rebates and yield loss. With our focus on the month of January 2011, the company provided inventory movement ledgers of black and pre-galvanised finished HRC out of inventory (**confidential attachments COSTS 11 and COSTS 12**, respectively). The company then produced its master HRC (black and pre-galvanised) inventory ledger for January 2011 (**confidential attachment COSTS 13**). We were able to agree the volumes and values of the *summary reports* to the *inventory ledger*.

6.4.2 Accounting for movement of HRC in production and slitting loss

By way of overview, the company explained that it valued the movement of HRC from inventory to production on a weighted average basis. Further, it was able to capture yield loss arising from slitting as master coil moved out of inventory to the slitting mill, into slit coil inventory, and then finally out into production, captured in the work-in-progress (**WIP**) account. The weight of the master coil was captured upon delivery. The slit coil derived from the master coil was then weighed prior to going into slit coil inventory. The value attributed to master coil entering inventory was the

purchase price recorded on the invoice. The value of the master coil leaving inventory and entering the slitting mill is the weighted average cost of that gauge of coil at that time. The company explained that following slitting, a smaller volume of slit HRC would enter the slit coil inventory ledger, as a result of yield loss. This would also affect the unit price of the slit coil, as the overall value remained the same. However, with the volume having decreased the slit coil's unit cost increased. Upon taking slit coil out of inventory and into production, again the weighted average cost of the particular type, gauge and width of coil is recorded in the WIP account.

To test the company's explanation of its cost accounting method, we requested and were provided with the slit coil inventory ledger for black and pre-galvanised coil for January 2011 (**confidential attachments COSTS 14 and COSTS 15**). We followed the movement of inventory from the master HRC movement ledgers to the slit coil movement ledgers for both black and pre-galvanised HRC. We discerned a difference of **[CONFIDENTIAL TEXT DELETED]** respectively. The company explained that this accorded with its slitting loss. We asked the company to explain how it accounted for the yield loss. Dalian Steelforce explained that it was sold as scrap (refer section 6.3.2 *Treatment of scrap*, above). In support of its explanation that it accounted for the increased unit cost of HRC caused by slitting loss, the company pointed to the value of the out-movement of master HRC and the value of the in-movement of slit coil, not having changed.

The company then compared the sum of the out-movements in master HRC to the in-movements of the slit coil inventory ledger (**confidential attachment COSTS 16**). The company explained that the difference in volume and value was accounted for by direct purchases of slit coil from its suppliers, which were not accounted for in the master coil inventory ledger, but rather were first accounted for in the slit coil inventory ledger. We asked the company to confirm that it had disclosed purchases of slit coil in its summary of coil purchases. The company advised that it had. We were able to verify the volume and value of slit coil purchases by reference to an inventory movement summary (**confidential attachment COSTS 17**). We were also able to identify these purchases in the summary of master and slit coil purchases across the investigation period (**confidential attachment MKT 5**).

Using the slit coil inventory ledger (**confidential attachment COSTS 16**), which was inclusive of purchases of slit coil, we traced the movement of slit coil into production via the WIP account (**confidential attachment COSTS 18**). The WIP account also differentiated the transfer of coil into own (Dalian Steelforce) production and toll manufacturing. We were able to trace the value of coil transferred into own production exactly with the value for *Material Costs – Coil* in the Income Statement of the company (**confidential attachment COSTS 2**).

6.4.3 Verification of completeness and relevance

Having understood that that movements out of the slitting inventory ledger equated to the input of HRC into production, we sought to confirm that the accounts agreed to the audited income statement for FY 2011 (**confidential attachment COSTS 2**). We were able to agree the slitting inventory ledgers across FY 2011 (**confidential attachment COSTS 19**) to the audited income statement. We were therefore satisfied that the *Cost of Manufacture* account reflected the actual yielded cost of coil used in the production of HSS in the investigation period.

6.4.4 Verification of accuracy

To test the accuracy of the company's purchases of HRC in January 2011, the company produced its raw material purchases journal for that month (**confidential attachment COSTS 20**). The journal confirmed the value of master HRC transferred into inventory and transferred out to the slitting mill. The ledger also provided details of purchases of HRC in that month. We identified four purchases of coil from two suppliers, **[CONFIDENTIAL TEXT DELETED – details of raw material suppliers and business practices]**. To establish the accuracy of the value of the purchases, the company produced copies of the invoices supporting the purchases **[CONFIDENTIAL TEXT DELETED – details of raw material suppliers and business practices]**.

6.4.5 Material Costs – Other

As discussed in section 6.2.1 *Treatment of fabricated goods* (above), the company was able to identify the contribution of fabricated products toward its material costs. By reference to its production/packaging material ledgers the company was able to verify the completeness and relevance of its Other Material costs (**confidential attachment COSTS 25**).

We were able to reconcile this value back to management reports, once the value of material costs for fabricated product were deducted (refer confidential attachment COSTS 3).

6.4.6 Material Costs – Freight in

[CONFIDENTIAL TEXT DELETED – terms of supply of raw materials]. The company produced a detailed ledger of its freight-in expense for the investigation period (**confidential attachment COSTS 26**). It agreed with the CTMS worksheet and the management accounts.

6.4.7 Labour costs

We were able to verify the completeness and relevance of the company's labour expense reported in the CTMS worksheet. It agreed with the company's management reports.

6.4.8 Other costs – Direct

The company explained that it allocated other direct costs on the basis of the theoretical tonnes of pipe and steel produced.

The company identified the following direct (variable) costs:

- Power;
- Repair & Maintenance;
- Stores and supplies;
- Depreciation (Plant & Equipment); and
- Other.

We explained to the company that these non-material direct manufacturing costs appear to have been allocated across the entire production volume of the company, [CONFIDENTIAL TEXT DELETED – details of production processes and how accounted for]

Other costs – Direct - Power

We asked the company to verify its power expense. Using its management accounts, the company demonstrated that its entire power expense was allocated to production. The company explained that this expense account also included water expenses. In support the company produced ledgers for the investigation period (**confidential attachment COSTS 27**).

Other costs – Direct – Depreciation – Plant & Equipment

We explained to the company that we needed to be satisfied that its CTMS included its fully absorbed cost of capital, which included an appropriate allocation of depreciation and amortisation expense to the goods. The company produced its depreciation and amortisation ledgers (**confidential attachment COSTS 28**). We were able to trace the straight-line depreciation method applied, which agreed with the management reports.

6.4.9 Direct manufacturing costs – HSS outsourcing costs

The company explained that it used toll manufacturers in China to produce HSS on its behalf. It explained its function in the outsourcing process, as follows:

Pre-outsourcing

- *Procurement of HRC;*
- *Receipt of raw materials into store;*
- *Coil slitting;*
- *Booking slit coil out to toll manufacturers; and*
- *Transporting slit coil to toll manufacturers.*

Post-outsourcing

- *Transporting finished products from toll manufacturer to the company;*
- *Running finished product through the online painting process;*
- *Bundling finished goods;*
- *Dispatching finished goods into the company's warehouse; and*
- *Dispatching finished goods for export to Australia/NZ.*

In terms of volume of production, we calculated that across the IP, the company manufactured approximately [CONFIDENTIAL TEXT DELETED]% of the goods by outsourcing.

We asked the company to explain how it calculated the value of toll manufactured pipe and tube. It produced a finished product ledger across the IP (**confidential attachment COSTS 29**). We were able to verify the completeness of this ledger by reference to the inventory ledger used to verify the completeness of production to the audited statements via management reports (**confidential attachment COSTS 8**). The ledger indicated transfers of finished product into inventory of the company's

own production, and goods produced by the toll manufacturer. To test the relevance and accuracy of the company's HSS outsourcing costs, we selected toll manufacturing expenses incurred in December 2010 for further verification.

The company explained that it calculated the value of finished product manufactured by its toll manufacturer by reference to a cost calculation worksheet. It explained that this was necessary in order to capture the fully absorbed cost of toll manufactured pipe, which included HRC, paint and other materials (packaging) supplied to the toll manufacturer. This was consistent with the company's treatment of coil material costs, which were net of coil supplied to toll manufacturers. A copy of the worksheet supporting the toll manufacturing expense incurred in December 2010, together with the journal entry was supplied (**confidential attachment COSTS 30**). The company explained that because it pays its toll manufacturers usually via pre-payments, it would not be able to align the processing cost with invoices directly. The company reconciled the total processing cost contained in the worksheet to the entry for December 2010 via a journal entry. We explained to the company that we required greater satisfaction of the true cost of the processing fee.

The company produced the outsourcing cost calculation worksheets for toll manufacturer pipe and tube in June 2011 (**confidential attachment COSTS 31**). We were able to reconcile the total volume of pipe and tube produced by the toll manufacturer to company's CTMS worksheet for June 2011 (**confidential attachment COSTS 32**). We asked the company to verify the volume and value transferred from slit coil inventory into toll manufacturing. The company was not able to do so. It explained that this was due to the carry-over of coil previously supplied to the toll manufacturer.

To address this issue, the company selected worksheets covering the December 2010 quarter (**confidential attachment COSTS 33**). The worksheets were supported by detailed slit coil inventory movement ledgers to the toll manufacturers (**confidential attachment COSTS 34**). We were able to reconcile the unit values of slit coil applied to toll manufacturing. The company also produced the invoices of its toll manufacturers across the period. We were able to agree with marginal difference the unit processing costs (**confidential attachment COSTS 35**).

We were satisfied that we had a complete, relevant and accurate account of the company's outsourcing costs.

6.5 Verification of selling, general and administration (SG&A) expenses data

The company explained that as a manufacturer of the goods for export to its related party customer, it did not engage in any sales activities, and as such did not incur any direct selling expenses. We explained to the company that we observed a limited number of domestic sales of like goods, and needed to understand whether this was as a result of any selling expenditure. The company explained that its domestic sales were opportunistic and resulted from largely EXW, ad hoc sales to no fixed customer base.

The company's SG&A expenses were categorised and verified as follows:

- Local transport, port charges & handling;
- Operating expenses;
- Depreciation and amortisation; and
- Interest.

6.5.1 Allocation method

The company was not able to relate its SG&A expenses directly to sales of HSS, however, allocated these expenses either on a sales volume or value basis, both of which were verified (refer to section 5 *Sales to Australia*, above and section 7 *Domestic sales*, below).

In the case of operating expenses, depreciation and amortisation charges and interest expenses, the company allocated these expenses between sales of HSS and fabricated products. The company explained that the allocation was based on the contribution to actual revenue of these two products. In support of this approach, the company produced a detailed management report of SG&A expenditure across the IP (confidential attachment COSTS 2). To test this allocation method, we focused on the contribution to revenue of fabricated products in June 2011 ([CONFIDENTIAL TEXT DELETED]%). We compared this proportion to the allocation of the SG&A expenses contained in the detailed management report in June 2011. The amounts agreed.

The allocation of the SG&A expenses attributable to the goods by finish and quality (c.f. fabricated products), was then allocated on the following basis:

Local transport, port charges & handling	Sales volume
Operating expenses	Sales revenue
Interest	Sales revenue

6.5.2 SG&A expenses – local transport, port charges & handling

Commencing with its CTMS worksheet for the IP (confidential attachment COSTS 2), the company explained that it applied a rate per tonne for the costs of packing the goods for export to Australia, the inland freight costs to the port, the port charges and port terminal handling fees. We explained to the company that our preference was to see the actual charges per transaction. The company advised that it did not account for these SG&A expenses in this way and that it needed to calculate a unit rate based on total expenditure within the investigation period. We explained that we needed to be satisfied that the unit rate applied the company's entire packing and shipping costs relevant to sales of the goods.

The company produced an extract of its CTMS worksheet for June 2011 (confidential attachment COSTS 32). The company agreed the rate to an extract of its selling costs of sales ledger (confidential attachment COSTS 36). We used a worksheet based on this ledger (confidential attachment COSTS 37) to determine the unit rate. The ledger extracted the packing costs, fabrication costs and port and inland

freight charges. After deducting the costs of fabricated products, the company applied the balance to the verified sales volume to determine the unit inland freight, packing, handling and port charges.

We then attempted to reconcile the selling cost ledger (confidential attachment COSTS 36) to the income statement (confidential attachment COSTS 2). The company provided a cost of goods sold ledger which identified the cost of manufacture of its exports (**confidential attachment COSTS 38**). We added the export cost of goods manufactured identified in confidential attachment COSTS 38 to the selling expenses identified in confidential attachment COSTS 36 and were able to agree the total cost of sales to the income statement (confidential attachment COSTS 2).

We asked the company to establish the relevance and accuracy of its selling costs. The company produced its port and freight expense ledger for June 2011 (**confidential attachment COSTS 39**). We were able to agree the ledger for the IP to the port and freight expenses in the selling costs ledger (confidential attachment COSTS 37). The company produced a summary of its freight forwarder expenses across the IP. We asked the company to produce an invoice for its freight and port charges. The company explained that it could not as it largely based these charges on estimates of its freight and port charges in the month they were incurred. In support of this, the company produced a summary of its freight forwarding charges to different destination ports (**confidential attachment COSTS 40**). We were satisfied that the rate applied to the actual transactions were reasonable.

6.5.3 SG&A expenses – Operating expenses

The company was able to verify the value of operating expenses directly to its audited statements via the management report (confidential attachment COSTS 2). The company explained that it allocated its operating expenses on a sales revenue basis.

Commencing with its CTMS worksheet for the IP (confidential attachment COSTS 1), the company agreed the amount of operating expenses to a detailed management report which separated the expense between HSS and fabricated product (**confidential attachment COSTS 41**). The total agreed with the management report for the same period (confidential attachment COSTS 2), less an amount for depreciation. The company explained that it had separately allocated this depreciation charges (see section 6.6.4 *SG&A expenses – Depreciation and interest*, below).

From the management reports, we determined that the following expense accounts comprised the operating expenses category:

- Audit;
- General;
- Insurance;
- Motor vehicle;
- Office supplies;

- Salary & wages;
- Staff welfare;
- Telephone;
- Travel;
- Bonus;
- Supervision; and
- Lab expense.

We asked the company to explain how it allocated its operating expenses across the goods and fabricated products. The company explained that it did so on the basis of actual revenue of the two items in each month of the IP. In the month of June 2011, revenue from the sale of fabricated product account for **[CONFIDENTIAL TEXT DELETED]**%.

6.5.4 SG&A expenses – Depreciation and Interest

The company explained that the non-plant and equipment depreciation charge and interest expense was determined directly from the management report (confidential attachment COSTS 2).

6.6 Conclusion

We were able to reconcile the data provided to audited statements and source documents. In doing so, we formed the view that the amended costs to make calculations in the company's response to the exporter questionnaire are reasonable reflections of the actual costs incurred in manufacturing the goods.

We also considered the calculations SG&A and delivery expenses were a reasonable reflection of the actual costs incurred in selling the goods.

In summary, sufficient cost to make and sell information was obtained and verified to determine a constructed normal value under section 269TAC(2)(c) of the Act.

The amended CTMS spreadsheet is included in **confidential appendix 2**.

7 DOMESTIC SALES**7.1 General**

Dalian Steelforce advised that during the IP it made limited domestic sales, which were supplementary to its main operations of exporting HSS to Steelforce Trading in Australia and New Zealand.

In its exporter questionnaire response, Dalian Steelforce submitted that it was established for the purpose of manufacturing HSS for Steelforce Group operations in Australia and New Zealand and that Dalian Steelforce does not sell HSS in commercial quantities in the Chinese domestic market. The company further advised that domestic sales in the investigation period were uncommon and inconsistent, and only amounted to [CONFIDENTIAL TEXT DELETED]% of export sales to Australia.

Therefore, Dalian Steelforce submitted that the domestic sales identified by Dalian Steelforce are not relevant for the purpose of determining a price for the purposes of section 269TAC(1), and also fail the low volume rule under section 269TAC(2)(a)(i). Dalian Steelforce therefore submitted that section 269TAC(2)(c) is applicable, which calls for the construction of a normal value instead of reliance on domestic sales data.

Nonetheless, Dalian Steelforce provided us with a detailed domestic sales spreadsheet prior to the visit. This is reproduced at **confidential attachment DOM 1**. This spreadsheet displays a total of [CONFIDENTIAL TEXT DELETED] domestic sales of like goods (including [CONFIDENTIAL TEXT DELETED – types of domestic sales] HSS).

The domestic sales spreadsheet identifies that most sales were [CONFIDENTIAL TEXT DELETED – terms of sales] and [CONFIDENTIAL TEXT DELETED] sales were made on a [CONFIDENTIAL TEXT DELETED – terms of sales] basis. The payment terms for the domestic sales are either [CONFIDENTIAL TEXT DELETED – credit terms] of the goods.

7.1.1 Prime HSS

Dalian Steelforce advised that during the IP it only made a relatively small number of sales of prime grade HSS on the domestic market. These sales were only made in response to Dalian Steelforce being approached by these customers directly as the customers urgently needed stock. Furthermore, the sales had only been made out of free stock held at the time, which Dalian Steelforce held at times due to there being a difference in the amount ordered and the amount that could be produced from a particular coil.

Similarly to above, Dalian Steelforce advised that all of these domestic pipe sales were of pipe that was identical to that exported to Australia, as it does not manufacture HSS specifically for domestic sale. Rather, domestic sales of pipe are made from free stock pipe that has been manufactured to Steelforce Trading's specifications for export to Australia as outlined above.

7.2 Verification of domestic sales up to audited financial statements

Having verified the detailed income statement (**confidential attachment EXP 6**) to the Steelforce Holding's audited financial statements (**confidential attachment GEN 5**) in section 5.2 above, we sought to verify the completeness and relevance of the detailed domestic sales spreadsheet (**confidential attachment DOM 1**) by reconciling it to the income statement (**confidential attachment EXP 6**).

From the detailed income statement (**confidential attachment EXP 6**) and income statement with calculations (**confidential attachment EXP 5**), Dalian Steelforce showed that the domestic sales value comprised of:

- Slitting & scrap sales;
- Pipe domestic sales; and
- Other income.

For each of these profit centres, Dalian Steelforce provided us with a copy of its September 2010 and June 2011 revenue ledgers (**confidential attachment DOM 2**) and we were able to match the revenues for these months to the corresponding months on the detailed income statement (**confidential attachment EXP 6**).

In addition, Dalian Steelforce also provided us with a copy of its domestic pipe sales ledger for the six (6) months to Dec 2010 and six (6) months to June 2011 (**confidential attachment DOM 3**) and we were able to match the total domestic pipe sale values from these ledgers to the detailed income statement (**confidential attachment EXP 6**).

Having verified the domestic pipe sales value, we then sought to reconcile it to the total value shown on the detailed domestic sales spreadsheet, however found a variance. Dalian Steelforce advised that the difference related to sales of flat steel panels to AusSteel and provided us with invoices for all these sales (**confidential attachment DOM 4**). After taking into account these sales, we were able to match the sales value from the ledger to the detailed sales spreadsheet.

7.3 Verification of domestic sales down to source documents

At the visit, Dalian Steelforce supplied copies of the commercial invoices and proof of payment for each of its domestic sales of prime HSS and downgrade. These are at **confidential attachment DOM 5**.

We observed that the invoice values reconciled to the company's domestic sales spreadsheet (**confidential attachment DOM 1**). We also observed that payment had been made for the goods.

As a result of the above verification, we are satisfied that the data contained within the company's domestic sales spreadsheet accurately reflects Dalian Steelforce's domestic sales of like goods and the price paid for those goods, during the investigation period.

7.4 Arms length

In respect of Dalian Steelforce's domestic sales of HSS, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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; or
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We therefore consider that Dalian Steelforce's domestic sales of like goods were arms length transactions.

7.5 Volume of sales and ordinary course of trade

From Dalian Steelforce's export sales spreadsheet (**confidential attachment EXP 8**), we identified the total volume of export sales of the goods to Australia during the investigation period was **[CONFIDENTIAL TEXT DELETED]** tonnes (including downgrade HSS). Domestic sales of like goods during the investigation period was **[CONFIDENTIAL TEXT DELETED]** tonnes (see domestic sales spreadsheet at confidential attachment DOM 1), which represents **[CONFIDENTIAL TEXT DELETED]**% (by volume) of export sales to Australia during the investigation period.

Under subsection 269TAC(14), if the volume of sales of like goods for home consumption in the country of export by the exporter is lower than 5% of the volume of the goods that are the subject of the application (i.e. exports of HSS to Australia), then the volume of sales is taken to be a low volume for the purposes of s.269TAC(2)(a) (unless the Minister is otherwise satisfied that this volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin under).

Consequently, the investigating team recommends that, due to:

- the company's volume of domestic sales of like goods; and
- the market characteristics of the company's domestic sales of like goods

Dalian Steelforce's domestic sales of like goods are not sufficient for use in determining a normal value under subsection 269TAC(1). An ordinary course of trade test has not been undertaken on Dalian Steelforce's domestic sales of like goods.

7.6 Domestic sales conclusion

We found insufficient volumes of HSS sales in the domestic market and therefore we consider that Dalian Steelforce's domestic sales of HSS are not suitable for assessing normal value under subsection 269TAC(1) of the Act.

8 THIRD COUNTRY SALES

In its exporter questionnaire response, Dalian Steelforce provided a summary of its HSS export sales to third countries (**Confidential Attachment THI 1**).

The spreadsheet shows that Dalian Steelforce exported HSS to **[CONFIDENTIAL TEXT DELETED – customers in other export markets]**

[CONFIDENTIAL TEXT DELETED – details of export customers]

As it seemed we were in possession of enough verified information from the submission and our visit to calculate normal values using a constructed method, we did not pursue further verification of third country export data.

9 ADJUSTMENTS

In accordance with section 269TAC(9), we consider that a VAT adjustment necessary to ensure that the constructed normal value so ascertained is properly comparable with the export price of the goods.

In the exporter questionnaire response, Dalian Steelforce states that exports of HSS receive a 9% VAT rebate from the general VAT rate of 17%. Consequently, the effective VAT rate for export of HSS is 8%. Therefore, we consider that an upwards adjustment of 8% for the VAT necessary.

10 NORMAL VALUE

As found in section 7.5 above, there are insufficient volume of domestic sales of like goods to ascertain normal values under section 269TAC(1). Therefore, we ascertained normal value under section 269TAC(2)(c) by constructing the normal value using verified CTMS data. **[CONFIDENTIAL TEXT DELETED – information about domestic profitability assumption adopted]**

In addition, as discussed in section 9 above, we consider that a VAT adjustment, in accordance with section 269TAC(9), necessary to ensure that the constructed normal value so ascertained is properly comparable with the export price of the goods.

We calculated weighted average normal values separately by quarter, by finish, and by grade.

The normal value calculation is at **confidential appendix 3**.

11 DUMPING MARGIN

We compared the monthly weighted average export prices with corresponding monthly constructed normal values, for the whole of the investigation period, in accordance with section 269TACB(2)(a).

Subject to further enquires by the case team in relation to our recommendation in section 5.9 above on export prices, the weighted average product margin for HSS exported to Australia by Dalian Steelforce during the investigation period was -3.4%. Details of this calculation are at **confidential appendix 4**.

12 MARKET SITUATION – HRC PURCHASES**12.1 General**

In its exporter questionnaire response, Dalian Steelforce provided a detailed HRC purchases spreadsheet during the investigation period (**confidential attachment MKT 1**). The spreadsheet shows that Dalian Steelforce purchased HRC from **[CONFIDENTIAL TEXT DELETED]** different suppliers. Dalian Steelforce identified **[CONFIDENTIAL TEXT DELETED]** State Owned Enterprise (SOE) and **[CONFIDENTIAL TEXT DELETED]** as not SOEs.

Dalian Steelforce also declared at section H-2(4) of its exporter questionnaire response that it underwent an approval process for the construction of its second mill. During the visit, Dalian Steelforce provided us with copies of the following documents in relation to this approval (**confidential attachment MKT 2**):

- Project application;
- Land use approval;
- Fire-safety approval;
- Fire-safety audit;
- Technology Development Bureau approval;
- Emissions permit;
- Greenery on land approval; and
- Mill design audit and construction report.

12.2 Verification of HRC purchases

We sought to verify the accuracy of HRC purchases spreadsheet (**confidential attachment MKT 1**) by selecting a number of transactions and Dalian Steelforce provided copies of invoices (**confidential attachment MKT 3**) and sales contracts (**confidential attachment MKT 4**). We also sought to verify the completeness and relevance of the spreadsheet and Dalian Steelforce provided accounts payable ledgers for the **[CONFIDENTIAL TEXT DELETED]** suppliers listed (**confidential attachment MKT 5**).

However, during the verification, it became apparent that we could not reconcile the spreadsheet to the source documents. In some instances, we were unable to match the unit price from the spreadsheet to the invoices. Dalian Steelforce explained that the spreadsheet lists the contracted prices and volumes, but the final actual invoiced prices and volumes may be different. In addition, we could not reconcile the total volume or value of HRC purchases from the spreadsheet to its accounts. After some investigation by Dalian Steelforce, it soon realised that the spreadsheet did not contain a complete list of its HRC purchases.

We explained to Dalian Steelforce that the HRC purchases spreadsheet must capture a complete list of all its HRC purchases, and the values and volumes must

reflect the actual prices paid. Dalian Steelforce then referred to part I-4 question 4 of the exporter questionnaire which requests a "listing showing the purchase price of HRS from each supplier during each month of the investigation period." We then agreed that a monthly summary of its HRC purchases, rather than transactional details, would be sufficient to satisfy this part of the exporter questionnaire. Therefore, Dalian Steelforce provided us with copies of its coil inventory ledgers for the investigation period (**confidential attachment MKT 6**) which shows the monthly values and volumes of HRC purchases. A revised HRC purchases spreadsheet using data from the coil inventory ledger is at **confidential attachment MKT 7**. This updated spreadsheet shows that Dalian Steelforce purchased HRC from **[CONFIDENTIAL TEXT DELETED]** different suppliers where **[CONFIDENTIAL TEXT DELETED]** were identified as an SOE.

We then selected one supplier that was declared as a non-SOE and asked for, and Dalian Steelforce provided, documentation showing that the supplier and the supplier's manufacturer were both privately owned companies (**confidential attachment MKT 8**).

In relation to purchases from its primary supplier of HRC, **[CONFIDENTIAL TEXT DELETED]**, which was declared as an SOE, Dalian Steelforce claims that it has not received HRC at less than fair market value. However, Dalian Steelforce claimed that it did not import any raw material or equipment during the investigation period. In addition, Dalian Steelforce claimed that although it has purchased HRC from SOEs, it has seen no evidence that the price paid is less than fair market value. Dalian Steelforce's arguments and supporting documents are at **confidential attachment MKT 9**.

13 SUBSIDIES**13.1 General**

In its exporter questionnaire response, Dalian Steelforce declared that:

- **[CONFIDENTIAL TEXT DELETED]**

13.2 Program 10 Preferential Tax Policies for Foreign Invested Enterprises

In its exporter questionnaire response, Dalian Steelforce explained that under this program, it was eligible for a full income tax offset in 2006 & 2007 and a 50% tax offset in 2008-2010. It included in its exporter questionnaire response copies of its 2008-2010 tax returns (**confidential attachment SUB 1**) and the approval of its income tax reduction eligibility (**confidential attachment SUB 2**).

Dalian Steelforce advised that this program was terminated in 2008 with transitional arrangements in place until 2012 when the program ceases.

During the visit, Dalian Steelforce provided us with copies of:

- The Foreign Invested Enterprise Tax Law (**confidential attachment SUB 3**) and The Rules for the Implementation of the Foreign Invested Enterprise Tax Law (**confidential attachment SUB 4**) under which the program was established;
- The new Enterprise Income Tax Law (**confidential attachment SUB 5**), which superseded the existing tax laws; and
- The transitional arrangements in respect of the new Enterprise Income Tax Law (**confidential attachment SUB 6**), which deals with the transition to phasing out the program.

Article 8 of the Foreign Invested Enterprise Tax Law (**confidential attachment SUB 3**) provides details of the preferential tax treatment.

[CONFIDENTIAL TEXT DELETED – details of application of alleged program to Dalian Steelforce]

13.3 [CONFIDENTIAL TEXT DELETED – program alleged to be applicable to Dalian Steelforce]

In the exporter questionnaire response, Dalian Steelforce stated that under this program, it received RMB **[CONFIDENTIAL TEXT DELETED]**.

During the visit, Dalian Steelforce provided us with copies of the application forms and payment advices **[CONFIDENTIAL TEXT DELETED]** (**confidential attachment SUB 7**). Dalian Steelforce also provided us with copies of its 2009 and 2010 non-operating income ledger (**confidential attachment SUB 8**) which shows **[CONFIDENTIAL TEXT DELETED]**

There were no other entries in the non-operating income ledger during the investigation period.

13.4 [CONFIDENTIAL TEXT DELETED – program alleged to be applicable to Dalian Steelforce]

In the exporter questionnaire response, Dalian Steelforce stated that under this program, it received benefits to the value of **[CONFIDENTIAL TEXT DELETED]**. It argued that when amortised over 10 years, this benefit equates to RMB **[CONFIDENTIAL TEXT DELETED – program alleged to be applicable to Dalian Steelforce]** per tonne over the investigation period. Dalian Steelforce explained that it calculated this figure by dividing the benefit by 10 to estimate the annual benefit, then dividing this by the total production volume during the investigation period.

During the visit, Dalian Steelforce provided us with a summary of the **[CONFIDENTIAL TEXT DELETED]** benefit received (**confidential attachment SUB 9**).

14 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export sales
Confidential appendix 2	Costs to Make and Sell (CTMS)
Confidential appendix 3	Normal Value
Confidential appendix 4	Dumping Margin
Confidential attachment GEN 1	Agenda
Confidential attachment GEN 2	Dalian Steelforce Audit Report 2010
Confidential attachment GEN 3	Dalian Steelforce Audit Report 2009
Confidential attachment GEN 4	Dalian Management Accounts (application)
Confidential attachment GEN 5	Steelforce Group audited financial report
Confidential attachment GEN 6	Dalian Steelforce Chart of Accounts
Confidential attachment GEN 7	Written submissions provided at visit (Day 1,2 and 3)
Confidential attachment GEN 8	Production capacity spreadsheet
Confidential attachment GEN 9	Mill Certificates for round pipe
Confidential attachment EXP 1	Detailed sales spreadsheet
Confidential attachment EXP 2	[CONFIDENTIAL TEXT DELETED] explanation
Confidential attachment EXP 3	[CONFIDENTIAL TEXT DELETED] spreadsheet
Confidential attachment EXP 4	Upwards verification package
Confidential attachment EXP 5	Income statement with calculations
Confidential attachment EXP 6	Detailed income statement
Confidential attachment EXP 7	Fabrication sales ledger
Confidential attachment EXP 8	Revised export sales spreadsheet
Confidential attachment EXP 9	Invoice 11-03
Confidential attachment EXP 10	Invoices of export sales that included fabricated products
Confidential attachment EXP 11	Source Documents for the selected export sales
Confidential attachment EXP 12	Forward Orders
Confidential attachment EXP 13	Export price submission
Confidential attachment COSTS 1	Dalian Steelforce analysis of cost to manufacture and sell for the month ended FY11 (Attachment 18 of application)
Confidential attachment COSTS 2	Management reports (Income Statement for the year ended 30 June 2011)
Confidential attachment COSTS 3	Fabricated costs ledger for FY 2011
Confidential attachment COSTS 4	Fabricated products expense ledger
Confidential attachment COSTS 5	Scrap value worksheets
Confidential attachment COSTS 6	Slit coil inventory
Confidential attachment COSTS 7	Cost of production worksheet for January 2011
Confidential attachment COSTS 8	Finished product inventory ledger
Confidential attachment COSTS 9	Extract from online stock-keeping system

PUBLIC RECORD

PUBLIC FILE

FOLIO 91

Confidential attachment COSTS 10	HRC Supplier Inspection Certificate
Confidential attachment COSTS 11	HRC Inventory Movement Ledger -black
Confidential attachment COSTS 12	HRC Inventory Movement Ledger – pre-galvanised
Confidential attachment COSTS 13	Master HRC (black and pre-galvanised) inventory ledger for January 2011
Confidential attachment COSTS 14	Sit coil inventory ledger for black coil for January 2011
Confidential attachment COSTS 15	Sit coil inventory ledger for pre-galvanised coil for January 2011
Confidential attachment COSTS 16	Slit coil inventory ledger
Confidential attachment COSTS 17	Inventory movement summary
Confidential attachment COSTS 18	Work in Progress (WIP) Account
Confidential attachment COSTS 19	Slitting inventory ledgers for FY 2011
Confidential attachment COSTS 20	Raw material purchases journal for January 2011
Confidential attachment COSTS 21	Accounts payable ledger for [CONFIDENTIAL TEXT DELETED – name of supplier] for YTD June 2011
Confidential attachment COSTS 22	Accounts payable ledger for [CONFIDENTIAL TEXT DELETED – name of supplier] for YTD June 2011
Confidential attachment COSTS 23	HRC invoices for [CONFIDENTIAL TEXT DELETED – name of supplier]
Confidential attachment COSTS 24	HRC invoice for [CONFIDENTIAL TEXT DELETED – name of supplier]
Confidential attachment COSTS 25	Production/packaging material ledgers
Confidential attachment COSTS 26	freight-in expense ledger for investigation period
Confidential attachment COSTS 27	Power and water expense ledger
Confidential attachment COSTS 28	Depreciation and amortisation ledgers
Confidential attachment COSTS 29	Finished product ledger for toll manufacturing for the investigation period
Confidential attachment COSTS 30	Cost calculation worksheet for toll manufacturing for December 2011 and journal entry
Confidential attachment COSTS 31	Outsourcing cost calculation worksheets for toll for June 2011
Confidential attachment COSTS 32	Dalian Steelforce analysis of cost to make and sell worksheet for June 2011
Confidential attachment COSTS 33	Toll manufacturing worksheets
Confidential attachment COSTS 34	Slit coil inventory movement ledgers
Confidential attachment COSTS 35	Toll manufacturing invoices
Confidential attachment COSTS 36	Selling costs of sales ledger
Confidential attachment COSTS 37	Selling costs worksheet
Confidential attachment COSTS 38	Export expense ledger
Confidential attachment COSTS 39	Port and freight expense ledger for June 2011
Confidential attachment COSTS 40	Summary of freight forwarding charges
Confidential attachment COSTS 41	Detailed management report (expenditure allocations)

PUBLIC RECORD

PUBLIC FILE

FOLIO 90

	over HSS and fabricated products)
Confidential attachment DOM 1	Domestic Sales spreadsheet
Confidential attachment DOM 2	September 2010 & Jun 2011 sales ledgers for slitting & scrap sales, domestic pipe sales, and other income
Confidential attachment DOM 3	Domestic pipe sales ledgers
Confidential attachment DOM 4	[CONFIDENTIAL TEXT DELETED – name of supplier] invoices
Confidential attachment DOM 5	Source Documents of all Domestic Sales
Confidential attachment THI 1	Third country sales spreadsheet
Confidential attachment THI 2	[CONFIDENTIAL TEXT DELETED – name of customer] invoices
Confidential attachment MKT 1	HRS Purchase Spreadsheet
Confidential attachment MKT 2	Approval documents for the second mill
Confidential attachment MKT 3	Invoices of selected HRC transactions
Confidential attachment MKT 4	HRC sales contracts
Confidential attachment MKT 5	Accounts Payable Ledger for Individual HRC Suppliers
Confidential attachment MKT 6	Coil inventory ledgers
Confidential attachment MKT 7	HRC purchases summary from coil inventory ledger
Confidential attachment MKT 8	Non-SOE supplier documents
Confidential attachment SUB 1	2008-2010 tax returns
Confidential attachment SUB 2	Income tax reduction eligibility approval
Confidential attachment SUB 3	Foreign Invested Enterprise Tax Law
Confidential attachment SUB 4	Rules for the Implementation of the Foreign Invested Enterprise Tax Law
Confidential attachment SUB 5	New Enterprise Income Tax Law
Confidential attachment SUB 6	Transitional arrangements in respect of the new Enterprise Income Tax Law
Confidential attachment SUB 7	[CONFIDENTIAL TEXT DELETED – name of alleged program]
Confidential attachment SUB 8	2009 & 2010 non-operating income ledgers
Confidential attachment SUB 9	Summary of [CONFIDENTIAL TEXT DELETED – name of alleged program]