Review Investigation No. 482 – Aluminium extrusions exported from P R China - Exporter Briefing – PanAsia Aluminium (China) Limited

Ownership arrangements

PanAsia Aluminium (China) Limited ("PanAsia China") has completed an exporter questionnaire response ("EQR") for Investigation 482. The EQR indicates that PanAsia is a wholly owned foreign subsidiary of PanAsia Aluminium Limited.

The PanAsia Group of companies includes a complex corporate structure where the ultimate parent company is PANASIALUM Holdings Company Limited ("PANASIALUM"). Below PANASIALUM there are two companies, PANASIA Group Limited ("Panasia") and Panasia Enterprises Group Limited (British Virgin Islands). A subsidiary of these companies is Panasia Aluminium Limited ("Panasia Aluminium") that has the following 'sister' or affiliated companies:

- Panasia Trading Limited (Hong Kong);
- Guangzhou Rongfu Electronics Technology Co., Ltd;
- Panasia Aluminium (Hong Kong) Limited;
- WIN International Limited (Hong Kong);
- Chengdu Zhencheng Trading Co., Ltd;
- Panasia Aluminium (China) Co., Ltd;
- Guangzhou OPLV Doors and Windows Systems Co., Ltd.

A check of the PANASIALUM affiliated companies confirms the ultimate parent company as 'The PAN FAMILY TRUST (The British Virgin Island), with an intermediate holding company, 'Marina Star Limited (The British Virgin Island), and a 'direct' parent company 'Easy Star Holdings Limited (The British Virgin Island)'. PANASIALUM has the following listed subsidiary companies:

- Panasia Trading Limited (Hong Kong);
- Panasia Group Limited (Hong Kong);
- OPLV Architectural Design Pty Ltd (Hong Kong);
- PanAsia Aluminium (China) Co., Ltd;
- PanAsia Aluminium (Hong Kong) Limited;
- PanAsia Aluminium Limited (Hong Kong);
- Chengdu Zhencheng Trading Co. Ltd.

The EQR further states that PanAsia manufactures the aluminium extrusions in China and sells to OPAL (Macao Commercial Offshore) Limited ("OPAL") for further sale to export markets including Australia. As PanAsia China does not directly export the goods, PanAsia China's normal value requires an uplift for the selling and general administration expenses associated with the sale to its related party, OPAL prior to on-sale to Australia.

PanAsia Holdings Limited

Capral highlights with the Commission, that the Pan Asia parent company has recently been in a in trading halt on the Hong Kong Exchange as investigations involving internal issues identified through audits are examined. Some of the area's identified for clarification involve PanAsia's sales in Australia.

Capral requests the Commission to investigate any potential impacts on PanAsia's Australian Sales. Refer the attached link which leads to the PanAsia Holdings Co Ltd 2017 Annual Report.

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0706/LTN20180706820.pdf

The above link confirms that PanAsia's accountants held reservations concerning outstanding payments (with subsequent writedowns) from Australian customers (refer Pages 41, 42, 43 and 61 of Pan Asia Holdings Co Ltd 2017 Annual Report. The auditor's reservation relates to an amount for HK$277,082,000 for trade receivables as at 31 December 2016, and subsequent impact on the Group's net assets for the 2016 and 2017 accounting periods.

The Commission is requested to fully investigate whether the amounts identified reflect losses on sales for goods exported to Australia during the periods (which impact PanAsia's accounst for the investigation period.

Review Investigation No. 392

Review investigation No. 392 (Review 392) involved exports of the goods to Australia during the period 1 January 2016 to 31 December 2016. This review (i.e. Investigation 482) has an investigation period from 1 July 2017 to 30 June 2018. The Commission determined that the normal values, ascertained export price and non-injurious price all increased. The determined dumping margin for PanAsia China was 41.3 per cent.

The Commission included in PanAsia China's normal values in Review 392 amounts of profit determined in accordance with Regulation 45(2). The profit determined for PanAsia China included that achieved on "certain powder coated profiles for the domestic market" which it was alleged are different to the powder coated profiles exported to Australia. Capral agrees and supports the Commission's view as detailed in Review 392 Final Report, namely:

> "*The Commission notes that aluminium extrusions can be delineated in a number of ways including finish, alloy, shape, size, wall thickness, weight, quality, and combination thereof. The Commission does not accept that these different production characteristics change the fundamental nature of the aluminium extrusions such that they cannot be considered as sold in the OCOT. The Commission is of the view that these powder coated models are properly categorised within column three of the goods under consideration table contained in section 3.1, that is, these models are "aluminium extrusions that are parts intended for use in intermediate or finished products". As such, the Commission considers the powder coated models sold on the domestic market to be like goods*.[1]"

Capral does not anticipate that the Commission will alter its view as to the powder coated goods sold on the Chinese domestic market by PanAsia China. These are like goods identifiable within the goods description and are correctly included in the domestic sales category for determining the level of profit to be included in PanAsia China's normal value as per Regulation 45(2).

PanAsia China sought to explain that the powder coated models were "high end models" that should be excluded from the profit calculations. Capral requests that the Commission be diligent in determining that the powder coated models – whether described as high end models or otherwise – are included in the production costs and profit calculations as per Regulations 43 and 45.

A couple of further issues arose in Review 392 concerning the adjustments to PanAsia China's normal values for non-refundable VAT and export credit terms. The VAT adjustment had no impact on the total constructed normal value whereas the extension of credit by PanAsia China to the Australian importer is an extension of credit (i.e. payment terms) not available to domestic customers. Capral notes that the PanAsia Holdings 2017 Annual Report confirms that sales are mainly made on a "cash on delivery" basis and that credit terms of "30 to 120 days" are available. The upward adjustment to PanAsia's normal value must reflect the extended credit terms on export sales not given on domestic sales.

Changes in LME prices since Review 392

Capral notes that the LME price for primary aluminium has increased by more than 27 per cent (in A$ terms, or 32 per cent in US$ terms) since the investigation period in Review 392. As a result, Capral and other members of the Australian industry have been competing at reduced levels that do not reflect contemporary, non-dumped prices for exports from China. The increase in LME pricing should be reflected in increased normal values and AEP for PanAsia China and all other Chinese exporters for the 2017/18 period.

It is well documented that the normal value for Chinese exporter's of aluminium extrusions is to be determined in accordance with subsection 269TAC(2)(c). Amounts for production costs, selling and

[1] Report No. 392, P.35.

general administration expenses and a level of profit are determined in accordance with the Regulations 43 to 45.

A benchmark price for primary aluminium is included in the constructed normal value that reflects:

- A published price for primary aluminium;
- A regional premium;
- Inland transport costs; and
- A billet premium reflecting the additional cost to convert an ingot into a billet for use in the manufacture of the goods.

The primary aluminium price used by the Commission is the average monthly London Metal Exchange (LME) cash price sourced from Metal Prices Pty Ltd. The regional premium is the Major Japanese Ports (MJP) premium applicable for transactions in Asia (also sourced from Metal Prices Pty Ltd). In respect of inland transport costs for primary aluminium, the Commission was only able to obtain actual verified costs for inland freight for one domestic producer in Review 392.

Additionally, when considering adjustments to the Chinese exporter's determined normal value, Capral draws to the Commission's attention that the exporter's costs should confirm that packaging costs for export are higher than domestic packaging costs, including for steel trolleys, wooden crates and inter-leave paper. Recent investigations (including 362, 392 and 442) have confirmed the existence of these costs for export sales of the goods to Australia necessitating an upwards adjustment to the Chinese exporter's normal value. PanAsia China's EQR states that packaging costs are included in PanAsia China's manufacturing costs – it will therefore be necessary for the Commission to separately identify the costs associated with steel trolleys, wooden crates, and interleave paper and/or plastic wrapping as incurred by PanAsia on export sales to Australia.

<u>Subsidies</u>

Report No. 392 concluded that PanAsia China received countervailable subsidies under Programs 15, 59 and 60. Program 15 is for aluminium at less than adequate remuneration which is reflected in the benchmark adjustment included in PanAsia's constructed normal value.

Programs 59 and 60 relate to grants received in respect of a Processing trade special fund and a Trade insurance support find respectively. It is anticipated that PanAsia would continue to qualify for both grants during the current investigation period. The Commission will require details of payments received by PanAsia under both programs.

The Commission must also inquire of PanAsia China its eligibility for any additional subsidy programs identified by the Commission in Review 392.