



## Exporter Verification Report

### Verification & Case Details

<b>Initiation Date</b>	3/01/2019 (case 499) & 11/02/2019 (case 505)	<b>ADN:</b>	2019/02 (case 499) & 2019/21 (case 505)
<b>Cases</b>	Hot Rolled Structural Section Steel Review - Japan, Korea, Taiwan and Thailand Continuation - Japan, Korea, Taiwan and Thailand		
<b>Case Numbers</b>	499 and 505		
<b>Exporter</b>	Tung Ho Steel Enterprise Corporation		
<b>Location</b>	TAIWAN		
<b>Verification from</b>	25/03/2019	<b>to</b>	29/03/2019
<b>Investigation Period</b>	1/01/2018	<b>to</b>	31/12/2018

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 THE ANTI-DUMPING COMMISSION

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## 1 COMPANY BACKGROUND

### 1.1 Corporate Structure and Ownership

Tung Ho Steel Enterprise Corporation (Tung Ho) is a publicly listed Taiwanese based steel product manufacturer. Tung Ho was listed on the Taiwan stock exchange in 1988.

Tung Ho produces steel-based goods including H-beams, Channels, Plates, Sheet piles, I-beams and Welded H-beams.

Tung Ho sells the majority of its products in Taiwan. It exports to various countries around the world.

Tung Ho purchases from and sells to subsidiaries and related parties.

### 1.2 Related Parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

#### 1.2.1 Related Customers

The verification team did not identify any Australian customers that were related to Tung Ho.

The verification team identified a related domestic customer. The verification team analysed the invoice sales to the related party and found that prices were the same or higher than sales to other unrelated customers. The verification team consider these sales to be at 'arms length' and did not exclude them from normal value calculations.

#### 1.2.2 Related Suppliers

In its exporter questionnaire response, Tung Ho stated that it purchased raw materials from two related domestic suppliers. The verification team tested these transactions and found that the costs paid represented an arm's length cost.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

Tung Ho produces steel through an electric arc furnace and a ladle furnace from pig iron and steel scrap.

The molten steel is solidified into a semifinished billet, bloom, beam blank or slab for rolling in a process called “semi-finished casting”. Oxidised iron is produced at each stage.

The semifinished products are heated in a reheat furnace to the required temperature. Semi-finished products are extracted from the reheat furnace, descaled and transferred to the rolling stands.

Rolling involves a metal forming process in which metal stock is passed through a rolling stand. The rolling stands contain breakdown stands, universal roughing stands, horizontal edgers and universal finishing stands. These components shape the product.

After the rolling process, at the Miaoli plant, large size steel sections and plates are cut to customer’s desired length. This is completed with a hot saw, and the products are transferred onto cooling beds. After cooling, the products are straightened, inspected, labelled and bundled.

At the Kaohsiung plant, small size sections are transferred to cooling beds after the rolling process. Subsequent to the product cooling, the shapes are straightened and cut with a cold saw to the customer’s desired length. The products are then inspected, labelled and bundled.

The products are then stored in the Miaoli or Kaohsiung plants prior to being sent to the customer. Alternatively, the products are sent directly to their customer’s facility or to ports for export.

### 2.2 Model Control Codes (MCCs)

Tung Ho provided sales and cost data in its response to the exporter questionnaire in accordance with the Model Control Code (MCC) structure detailed in Consideration Report No 505 with a few changes. Tung Ho did not provide data in relation to tensile strength, which is an optional category in the MCC structure. Tung Ho also made changes to thickness, dimension and weldability.

Tung Ho changed the ‘thickness’ category of the MCC for the purposes of the verification. The original MCC category for thickness has two categories: minimum cross sectional thickness less than 11mm or, greater than or equal to 11mm. Tung Ho changed this to minimum cross sectional thickness less than 12mm or, greater than or equal to 12mm to align with the Australian standard. The verification team accepted this amendment.

Tung Ho further classified the optional “dimension” and “weldability” categories into greater detail than that required by the MCC:

For dimension, Tung Ho identified the ‘form’ (narrow flange, wide flange, standard column etc.) and width and said that these factors affected price. The verification team considered that it was appropriate to accept this amendment because it would result in more accurate comparison of models.

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	Category	Sub-category	Identifier	Sales data	Cost data	Key category
MCC structure	Dimension	Beam or section height less than 230 mm	S	Optional	Optional	No
		Beam or section height equal to or greater than 230 mm	L			
Tung Ho	Dimension	Universal Beam – Narrow Flange W<230mm	1			
		Universal Beam- Wide Flange W≥230mm	2			
		Universal Column- Narrow Flange W<360mm	3			
		Universal Column- Narrow Flange W≥360mm	4			
		Channel- Standard Channel	5			
		Channel- Heavy Channel	6			
		Tapered Flange Beam	7			
Running Rail for MTR	8					

For weldability, Tung Ho identified the ‘steel grade’ (carbon or alloy) and use (building structure or welded structure) and said that these affected price. The verification team considered that it was appropriate to accept this amendment because it would result in more accurate comparison of models.

	Category	Sub-category	Identifier	Sales data	Cost data	Key category
MCC structure	Weldability	Carbon equivalent value specified in relevant standard	Y	Optional	Optional	No
		Carbon equivalent value specified in relevant standard	N			
Tung Ho	Weldability	Carbon steel for general structure	2			
		Carbon steel for welded structure	4			
		Carbon steel for building structure	6			
		Alloy steel for welded structure	5			
		Alloy steel for building structure	7			

### 2.3 The goods exported to Australia

The verification team were satisfied that Tung Ho produced and exported the goods to Australia. Tung Ho exported the goods to Australia with the following MCCs during the period:

<i>P-C-B---1---5-2-</i>
<i>P-H-B---1---3-2-</i>
<i>P-H-B---2---3-2-</i>
<i>P-H-B---2---3-6-</i>
<i>P-I-B---1---1-2-</i>
<i>P-I-B---2---2-2-</i>

### 2.4 Like goods sold on the domestic market

The verification team were satisfied that Tung Ho sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- the goods compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

Tung Ho sold like goods on the domestic market with the following MCCs during the period:

<i>P-C-B---1---5-2-</i>	<i>P-C-B---1---5-5-</i>	<i>P-C-B---1---6-2-</i>
<i>P-C-B---2---6-2-</i>	<i>P-H-B---1---3-2-</i>	<i>P-H-B---1---3-4-</i>
<i>P-H-B---1---3-5-</i>	<i>P-H-B---1---3-6-</i>	<i>P-H-B---1---3-7-</i>
<i>P-H-B---1---4-6-</i>	<i>P-H-B---1---4-7-</i>	<i>P-H-B---2---3-2-</i>
<i>P-H-B---2---3-5-</i>	<i>P-H-B---2---3-6-</i>	<i>P-H-B---2---3-7-</i>
<i>P-H-B---2---4-2-</i>	<i>P-H-B---2---4-4-</i>	<i>P-H-B---2---4-5-</i>
<i>P-H-B---2---4-6-</i>	<i>P-H-B---2---4-7-</i>	<i>P-I-B---1---1-2-</i>
<i>P-I-B---1---1-4-</i>	<i>P-I-B---1---1-5-</i>	<i>P-I-B---1---1-6-</i>
<i>P-I-B---1---1-7-</i>	<i>P-I-B---1---2-2-</i>	<i>P-I-B---1---2-4-</i>
<i>P-I-B---1---2-5-</i>	<i>P-I-B---1---2-6-</i>	<i>P-I-B---1---2-7-</i>
<i>P-I-B---1---7-2-</i>	<i>P-I-B---1---7-5-</i>	<i>P-I-B---2---1-5-</i>
<i>P-I-B---2---1-6-</i>	<i>P-I-B---2---1-7-</i>	<i>P-I-B---2---2-2-</i>
<i>P-I-B---2---2-4-</i>	<i>P-I-B---2---2-5-</i>	<i>P-I-B---2---2-6-</i>
<i>P-I-B---2---2-7-</i>	<i>P-I-B---2---7-5-</i>	

### 2.5 Model matching

The verification team considered the following categories when comparing sales of domestic models and export models.

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Category	Characteristics of Category & Rationale for Model Matching	Used in Model Matching
Prime	Prime or non-prime. This category was not used in model matching as all the goods sold by Tung Ho were prime.	N
Shape	The characteristics of shape is aligned with the MCC structure. The verification team did not identify information to suggest that any of these characteristics do not have an effect on price.	Y
Minimum yield strength	This category was not used for model matching as all the goods sold by Tung Ho were > 265MPa. The verification team reviewed test certificates for selected samples and concluded that this was correct.	N
Thickness	Tung Ho modified the MCC structure for this category to a minimum cross-sectional thickness less than 12mm, or minimum cross-sectional thickness greater than or equal to 12mm. The verification team did not identify information to suggest that any of these characteristics do not have an effect on price.	Y
Dimension	Tung Ho amended this category (see discussion at 2.2). The verification team did not identify information to suggest that any of these characteristics do not have an effect on price.	Y
Weldability	Tung Ho amended this category (see discussion at 2.2). The verification team did not identify information to suggest that any of these characteristics do not have an effect on price.	Y

### 2.6 Like goods – assessment

The verification team considers that the goods produced by Tung Ho for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>1</sup>

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<sup>1</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.



### 3 CONTINUATION

The verification team asked Tung Ho questions relating to Continuation 505.

#### 3.1 Production capacity

The verification team verified the capacity utilisation of Tung Ho for the GUC and found it to be high. This figure is based on the assumptions that normal levels of maintenance and repair, shifts and hours of operation and that typical production mixes are maintained.

Tung Ho said that it makes a profit (as evidenced by its published annual reports) each year.

#### 3.2 Tung Ho's domestic market

Tung Ho said that the import quantities of goods into Taiwan has been steady for the last decade and during this time Tung Ho has maintained its domestic customers. Tung Ho said that its customers value Tung Ho's service and flexibility to produce goods quicker than the imported goods can be shipped to Taiwan.

#### 3.3 Tung Ho's export market

Tung Ho said that its sales to the United States of America are steady and its customers have remained loyal over the last two years.

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### 4 UPWARDS VERIFICATION OF SALES

#### 4.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

Tung Ho's total revenue reconciled to the operating revenue in its 2018 audited annual report and trial balance.

The figures for the GUC in the trial balance matched the sales spreadsheets provided by Tung Ho for domestic sales, Australian sales and third country sales with immaterial variances (<0.01%).

Tung Ho provided a download of the domestic and export revenue by product for the investigation period. Tung Ho provided a direct print out from the system to demonstrate that the figures had not been manipulated. Tung Ho demonstrated how each figure was extracted from its AS400 system, providing screenshots.

In addition to the GUC, Tung Ho also received revenue from sales of other goods, raw materials and supplies, and processing fees. Tung Ho demonstrated how these figures were obtained from its accounting system.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

##### 4.1.1 Exceptions during Verification of Sales Completeness and Relevance

No.	Exception	Resolution	Evidence Relied On
1	Prior to the verification beginning, Tung Ho revised the packaging column in the Australian and domestic sales listings. Tung Ho explained that the original listing contained the wrong formula for packaging.	The verification team verified packaging and is satisfied that the amended figures reflect the packaging costs incurred.	Ledgers showing cost of materials and labour relating to packaging.

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### **4.2 Completeness and Relevance Finding**

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Tung Ho, including any required amendments as outlined as an exception above, is complete and relevant.

## **5 DOWNWARDS VERIFICATION OF SALES**

### **5.1 Verification of Sales Accuracy**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

#### **5.1.1 Exceptions during Verification of Sales Accuracy**

No.	Exception	Resolution	Evidence Relied On
1	In its REQ, Tung Ho explained that the exchange rates they used for the export sales listing was a daily exchange rate. However, the verification team noticed that the exchange rates used for each of the sales in the export sales listing were the end of month rates for the months of the investigation period.	Tung Ho explained that the exchange rates provided in the REQ, whilst correct, were not preferred. It provided the verification team with revised rates, being the daily exchange rates for NTD/USD and amended the Australian sales listing.	The exchange rates from the Central Bank of the Republic of China.

### **5.2 Sales Accuracy Finding**

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Tung Ho, including any required amendments as outlined as an exception above, is accurate.

## 6 COST TO MAKE AND SELL

### 6.1 Verification of completeness and relevance of CTMS data

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

#### 6.1.1 Exceptions during Verification of completeness and relevance of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	In Appendix G-4.1 of its REQ, Tung Ho listed all of the accounts it considered might be relevant for the calculation of indirect selling, general and administration costs (SG&A). Tung Ho did not include entertainment expenses as it had identified these as marketing expenses related to the GUC.	Based on the source documents provided by Tung Ho for the marketing charges, the verification team are not satisfied the expenses relate solely to the GUC and did not accept this deduction.  Consequently, the verification team included the entertainment charges in the calculation of SG&A.	Source documents relating to marketing charges.

### 6.2 Completeness and Relevance Finding of CTMS data

The verification team are satisfied that the cost to make and sell data provided in the exporter questionnaire response by Tung Ho, including any required amendments as outlined as an exception above, is complete and relevant.

### 6.3 Verification of CTMS Allocation Methodology

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models, in accordance with ADN No. 2016/30.

Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Actual cost of raw materials by production quantity.	Accounting ledgers, source documents including invoices and bank statements showing payment. Production data.

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Scrap Allocation	Self made scrap is valued based on the cost of purchased scrap by production quantity.	Accounting ledgers, source documents including invoices and bank statements showing payment. Production data.
Manufacturing Overheads	Actual cost of manufacturing overheads incurred by production quantity.	Accounting ledgers, source documents including invoices and bank statements showing payment. Production data.
Labour	Actual cost of labour incurred by production quantity.	Accounting ledgers and bank statements showing payment. Production data.
Depreciation	Straight line depreciation method.	Accounting ledgers, Depreciation Schedule.
Packaging	Weighted average unit cost for the investigation period using actual labour and materials.	Accounting ledgers for labour and materials consumed.

### 6.4 Verification of CTMS Methodology Finding

The verification team are satisfied that the allocation methodology for the cost to make and sell (CTMS) data provided in the exporter questionnaire response by Tung Ho is reasonable.

### 6.5 Verification of Accuracy of CTMS data

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

#### 6.5.1 Exceptions during Verification of Accuracy of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	During verification of the SG&A listing, the verification team found that while the total sales revenue and quantity	Tung Ho confirmed the sales revenue and quantity for the 8 models was incorrect and that	Domestic sales listing

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	matched the domestic sales spreadsheet, the sales revenue and quantity of 8 models were different.	this was a transposition error. The SG&A listing was modified.	
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**6.6 Accuracy Finding of CTMS data**

The verification team are satisfied that the CTMS data provided in the REQ by Tung Ho, including any required amendments as outlined as an exception above, is accurate. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

## 7 EXPORT PRICE

### 7.1 The importers

In relation to the goods exported by Tung Ho to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

### 7.2 The exporter

The Commission generally identifies the exporter as a 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 carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

The verification team were satisfied that for all Australian export sales during the period the verification team considers Tung Ho to be the exporter of the goods.

### 7.3 Arms length

In respect of Tung Ho's Australian sales of the goods during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>2</sup>

The verification team therefore considers that all export sales to Australia made by Tung Ho during the period were arm's length transactions.

### 7.4 Export Price – assessment

In respect of Australian sales of the goods by Tung Ho, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>2</sup> Section 269TAA of the Act refers.



## 8 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

### 8.1 Arms length

In respect of domestic sales of the goods made by Tung Ho to its customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Tung Ho to domestic customers during the period were arms length transactions.

### 8.2 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

The results of the verification teams testing of the ordinary course of trade are as follows.

Number of Models	Models in OCOT
40	36

### 8.3 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Low volume is defined by subsection 269TAC(14) as less than 5 percent of the total volume of the goods under consideration that are exported to Australia.

The verification team's assessment of the suitability of domestic models to the models exported to Australia is detailed below:

## PUBLIC RECORD

Export MCCs	Sufficient sales of identical model sold on the domestic market	Surrogate model identified
P-C-B--1---5-2-	Yes	N/A
P-H-B--1---3-2-	Yes	N/A
P-H-B--2---3-2-	Yes	N/A
P-H-B--2---3-6-	Yes	N/A
P-I-B--1---1-2-	No	N/A

For the one export MCC where there was no suitable surrogate, the verification team recommends constructing the normal value under subsection 269TAC(2)(c).

### 8.4 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be determined. The verification team has calculated an amount of profit based on the production and sale of like goods by Tung Ho on the domestic market in the OCOT, in accordance with subsection 45(2) of the *Customs (International Obligations) Regulation 2015*.

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**9 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

**9.1 Rationale and Methodology**

Adjustment Type	Rationale for Adjustment	Calculation Method	Evidence	Claimed in REQ?
Domestic marketing charges	In its REQ, Tung Ho claimed travel expenses as a deduction. The verification team were unable to find proof that these travel expenses related only to the GUC and do not accept this deduction.	N/A		Yes
Packaging (domestic and export)	The packaging for goods exported and domestically are different with additional costs incurred for exported goods. Export GUC require approximately double the amount of steel wire for bundling as opposed to domestic GUC. Additionally, export goods require two more labels per product as opposed to domestic goods.	Weighted average unit cost for domestic packaging and Australian packaging by month as determined by actual costs.	Tung Ho provided packaging costs which were verified to the accounting system by the verification team.	Yes
Export and domestic inland transport	Tung Ho incurred inland transport expenses for all Australian sales and some domestic sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export customs brokers fees	Tung Ho incurred customs broker's expenses for all Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export bank charges and letter of credit fees	Tung Ho incurred bank charges and letter of credit fees for some Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes

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Export inspection	Tung Ho incurred export inspection expenses for all Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export trade promotion service fees	Tung Ho incurred trade promotion service fees (Government charge) for all Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export pier through fees	Tung Ho incurred pier through expenses for all Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export port service charges	Tung Ho incurred pier through expenses for all Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export bill of lading fee	Tung Ho incurred pier through expenses for all Australian sales.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes
Export handling fee	Tung Ho sold on a FAS and FOB levels. An adjustment was made to the FAS sales using the weighted average export handling fee to ensure a fair comparison at the FOB level.	Weighted average cost based on the actual costs incurred and the actual sales quantities in the export sales listing.	Commercial invoices showing the actual expense incurred.	Yes.

## 9.2 Adjustments

Adjustment Type	Deduction/addition
Domestic marketing charges	No adjustment
Domestic packaging	Deduction
Export packaging	Addition
Domestic inland transport	Deduction
Export inland transport	Addition

## PUBLIC RECORD

Export customs brokers fees	Addition
Export bank charges and letter of credit fees	Addition
Export inspection	Addition
Export trade promotion service fees	Addition
Export pier through fees	Addition
Export port service charges	Addition
Export bill of lading fee	Addition
Export handling fee	Addition

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

## 10 NORMAL VALUE

The verification team found that four (of the five) export MCCs had sufficient volumes of domestic sales of the goods that were arm's length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in section 9.

With regard to one of the export MCCs, the verification team is satisfied that because of the low volume of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a normal value, the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1).

The verification team has therefore calculated a preliminary normal value under subsection 269TAC(2)(c) based on:

- cost of production of the goods; and
- the SG&A costs that would be incurred on the assumption that the exported good is sold on the domestic market;
- and an amount for profit.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

## 11 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by Tung Ho for the investigation period is **negative 3.0 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

**12 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program