## Exporter Verification Report

### Verification & Case Details

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement Date</td>
<td>20/11/2018</td>
</tr>
<tr>
<td>ADN:</td>
<td>2018/192</td>
</tr>
<tr>
<td>Case:</td>
<td>Aluminium Zinc Coated Steel - Accelerated Review - China</td>
</tr>
<tr>
<td>Case Number</td>
<td>500</td>
</tr>
<tr>
<td>Exporter</td>
<td>Zhejiang Huada New Materials Co.,Ltd</td>
</tr>
<tr>
<td>Location</td>
<td>Benchmark/Desktop verification</td>
</tr>
<tr>
<td>Verification from</td>
<td>20/11/2018 to 22/01/2019</td>
</tr>
<tr>
<td>Review Period</td>
<td>1/07/2017 to 30/6/2018</td>
</tr>
</tbody>
</table>

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.
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTENTS</td>
<td>2</td>
</tr>
<tr>
<td>1 COMPANY BACKGROUND</td>
<td>3</td>
</tr>
<tr>
<td>1.1 CORPORATE STRUCTURE AND OWNERSHIP</td>
<td>3</td>
</tr>
<tr>
<td>1.2 RELATED PARTIES</td>
<td>3</td>
</tr>
<tr>
<td>2 THE GOODS AND LIKE GOODS</td>
<td>4</td>
</tr>
<tr>
<td>2.1 PRODUCTION PROCESS</td>
<td>4</td>
</tr>
<tr>
<td>2.2 GOODS SUBJECT TO MEASURES</td>
<td>4</td>
</tr>
<tr>
<td>2.3 NEW EXPORTER OF THE GOODS</td>
<td>4</td>
</tr>
<tr>
<td>2.4 LIKE GOODS SOLD ON THE DOMESTIC MARKET</td>
<td>5</td>
</tr>
<tr>
<td>2.5 LIKE GOODS – ASSESSMENT</td>
<td>5</td>
</tr>
<tr>
<td>3 VERIFICATION OF SALES</td>
<td>6</td>
</tr>
<tr>
<td>3.1 VERIFICATION PROCESS</td>
<td>6</td>
</tr>
<tr>
<td>3.2 VERIFICATION OF SALES</td>
<td>6</td>
</tr>
<tr>
<td>3.3 FINDING</td>
<td>7</td>
</tr>
<tr>
<td>4 COST TO MAKE AND SELL</td>
<td>8</td>
</tr>
<tr>
<td>4.1 VERIFICATION OF CTMS DATA</td>
<td>8</td>
</tr>
<tr>
<td>4.2 FINDING</td>
<td>8</td>
</tr>
<tr>
<td>5 DOMESTIC SALES SUITABILITY</td>
<td>9</td>
</tr>
<tr>
<td>5.1 ARMS LENGTH</td>
<td>9</td>
</tr>
<tr>
<td>5.2 ORDINARY COURSE OF TRADE</td>
<td>9</td>
</tr>
<tr>
<td>5.3 SUITABILITY OF DOMESTIC SALES – PARTICULAR MARKET SITUATION</td>
<td>9</td>
</tr>
<tr>
<td>6 NORMAL VALUE</td>
<td>11</td>
</tr>
<tr>
<td>6.1 CONSTRUCTED NORMAL VALUE</td>
<td>11</td>
</tr>
<tr>
<td>7 ADJUSTMENTS</td>
<td>13</td>
</tr>
<tr>
<td>7.1 RATIONALE AND METHODOLOGY</td>
<td>13</td>
</tr>
<tr>
<td>7.2 ADJUSTMENTS</td>
<td>13</td>
</tr>
<tr>
<td>8 EXPORT PRICE AND DUMPING MARGIN</td>
<td>14</td>
</tr>
<tr>
<td>8.1 EXPORT SALES OF THE GOODS</td>
<td>14</td>
</tr>
<tr>
<td>8.2 EXPORT PRICE – ALL RELEVANT INFORMATION</td>
<td>14</td>
</tr>
<tr>
<td>8.3 DUMPING MARGIN</td>
<td>14</td>
</tr>
<tr>
<td>9 COUNTERVAILABLE SUBSIDIES</td>
<td>15</td>
</tr>
<tr>
<td>9.1 INTRODUCTION AND SUMMARY OF FINDINGS</td>
<td>15</td>
</tr>
<tr>
<td>9.2 RELEVANT LEGISLATION</td>
<td>15</td>
</tr>
<tr>
<td>9.3 PREFERENTIAL TAX PROGRAMS</td>
<td>16</td>
</tr>
<tr>
<td>9.4 GRANTS AND PREFERENTIAL POLICIES</td>
<td>17</td>
</tr>
<tr>
<td>9.5 PRELIMINARY ASSESSMENT</td>
<td>17</td>
</tr>
<tr>
<td>10 APPENDICES AND ATTACHMENTS</td>
<td>18</td>
</tr>
<tr>
<td>APPENDIX A – PRELIMINARY ASSESSMENT OF SUBSIDY PROGRAMS</td>
<td>19</td>
</tr>
</tbody>
</table>
1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Zhejiang Huada New Materials Co., Ltd (Huada) is a subsidiary of Zhejiang Huada Group Co., Ltd whose shareholders are natural persons. Huada performs all functions of manufacturing and selling aluminium zinc coated steel (the goods) in the domestic market and to third countries.

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

Huada had domestic sales of the goods to related parties in the review period. The verification team tested the arms length nature of these sales by comparing selling prices and profitability with sales of comparable models to unrelated parties in the review period. The verification team is satisfied that related party sales are arms length transactions under subsection 269TAA(1) of the Customs Act 1901 (the Act).\(^1\)

1.2.2 Related Suppliers

Huada did not source raw materials from any related parties.

---

\(^1\) References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.
2 THE GOODS AND LIKE GOODS

2.1 Production Process

Huada utilises the same process for aluminium zinc coated steel produced for domestic and export consumption. Therefore a consolidated cost to make and sell (CTMS) spreadsheet was provided.

The goods are produced from hot-rolled coil (HRC) input that is acid-pickled and cold rolled, then hot-dip galvanised with zinc/aluminium coating.

2.2 Goods subject to measures

The goods subject to anti-dumping measures, in the form of a dumping duty notice and a countervailing duty notice, are:

“flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, not painted whether or not including resin coating”.

2.3 New exporter of the goods

Huada applied for an accelerated review as a new exporter in accordance with subsection 269ZE(1) of the Act.

Huada provided costs and sales data in their exporter questionnaire response (REQ), including data relating to third country exports of like goods. The verification team has examined the information provided and relevant ABF data and is satisfied that based on the information available Huada is a new exporter of the goods and did not export the goods to Australia during the review period.

Therefore the verification team recommends that any interim dumping duty (IDD) be calculated in accordance with the floor price duty method. Further information is contained in chapter 8 of this report.

2.4 Like goods sold on the domestic market

The verification team were satisfied that Zhejiang Huada New Materials Co., Ltd 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 subject to measures, as they:

- have a physical likeness and can be manufactured to Australian and International Standards;
- are manufactured via a similar production processes;
- have comparable or identical end-uses; and
- compete in the same market sector.
2.5 Model matching

The verification team considered the following categories when comparing sales of domestic models. No Aluminium zinc coated steel was sold into the Australian market.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Rationale for Model Matching</th>
<th>Used in Model Matching</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Prime/Non-prime – only prime product sale used</td>
<td>Y</td>
</tr>
<tr>
<td>Form</td>
<td>Sheet or coil – only coil products sold into domestic market</td>
<td>Y</td>
</tr>
<tr>
<td>Thickness</td>
<td>Thickness of steel used to determine price</td>
<td>Y</td>
</tr>
<tr>
<td>Coating Type</td>
<td>Only one coating type used</td>
<td>Y</td>
</tr>
<tr>
<td>Coating Mass</td>
<td>Coating mass was identical for all sales</td>
<td>Y</td>
</tr>
<tr>
<td>Width</td>
<td>Difference is width used to determine price</td>
<td>Y</td>
</tr>
</tbody>
</table>

2.6 Like goods – assessment

The verification team considers that the goods produced by Huada for domestic sale have characteristics closely resembling those goods subject to measures and are therefore ‘like goods’ in accordance with subsection 269T(1) of the Act.
3 VERIFICATION OF SALES

3.1 Verification process

The verification team conducted this verification by benchmarking Huada’s data to verified exporters and requesting supplementary information where applicable to ensure the accuracy of the data submitted in Huada’s REQ.

3.2 Verification of sales

Verification of completeness and relevance was conducted by reconciling sales data “upwards” to relevant account ledgers.

The accuracy of data in Huada’s REQ was 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 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.

3.2.1 Exceptions during verification of sales

<table>
<thead>
<tr>
<th>No.</th>
<th>Exception</th>
<th>Resolution</th>
<th>Evidence Relied On</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product descriptions (Case 492)²</td>
<td>Huada was notified of the issue and subsequently lodged a new application for an accelerated review in relation to aluminium zinc coated steel, to which this verification report concerns.</td>
<td>Domestic sales invoices; ingot purchases; certificate of quality inspection in relation to the ingot used in the coating material</td>
</tr>
</tbody>
</table>

² Huada submitted its REQ in relation to an application for an accelerated review of the measures applying to zinc coated (galvanised) steel and is available on electronic public record for case page 492. Huada since withdrew that application and lodged an application for an accelerated review in relation to the measures applying to aluminium zinc coated steel, to which the information contained in that REQ relates.
### 3.3 Finding

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Huada, including any required amendments as outlined as an exception above, is complete and relevant.
4 COST TO MAKE AND SELL

4.1 Verification of CTMS data

The verification team benchmarked relevant CTMS data in Huada’s REQ to verified exporters. Supplementary information was requested where applicable to ensure the accuracy of the data submitted in Huada’s REQ.

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 CTMS data

<table>
<thead>
<tr>
<th>No.</th>
<th>Exception</th>
<th>Resolution</th>
<th>Evidence Relied On</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost allocations to scrap</td>
<td>Cost allocations to scrap were reallocated to goods produced in the galvanising workshop and a scrap offset was applied to the CTM based on steel scrap sales.</td>
<td>Cost of production ledgers; ledger of other business income; relevant cost workbooks (acid pickling workshop, cold rolling workshop, galvanising workshop)</td>
</tr>
<tr>
<td></td>
<td>Steel scrap was on sold or recycled in the production process. Huada used a cost allocation methodology to allocate costs to scrap at a reduced rate. This allocation could not be reconciled with actual costs and affected the OCOT assessment and costs attributable to the goods.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Cost Allocations to non-prime/substandard products</td>
<td>An adjustment was made to the CTM based on actual costs associated with the production of non-prime products.</td>
<td>Finished product ledgers; cost of production ledgers; galvanising workshop cost workbook</td>
</tr>
<tr>
<td></td>
<td>Non-prime products were produced in the galvanising workshop. Huada used a cost allocation methodology to allocate costs to non-prime products at a reduced rate. This allocation could not be reconciled with actual costs and affected the OCOT assessment and costs attributable to the goods.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Selling, general and administrative cost Allocation</td>
<td>SG&amp;A was reconciled to financial statements/profit and loss statements. SG&amp;A has been reallocated on a model basis, based on the percentage of total revenue of each model during the review period.</td>
<td>Financial statements; profit and loss statements</td>
</tr>
<tr>
<td></td>
<td>Selling, general and administrative (SG&amp;A) costs were not allocated to certain product types that were sold in the review period.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2 Finding

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

Exporter Verification Report: Zhejiang Huada New Materials Co., Ltd
5 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).

5.1 Arms length

In respect of domestic sales of the goods made by Huada 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 Huada to domestic customers during the period were arm’s length transactions.

5.2 Ordinary course of trade

Section 269TAD provides that if like goods are sold in the country of import 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.

5.3 Suitability of domestic sales – particular market situation

The Commission has previously found that, in line with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese aluminium coated steel market that renders domestic selling prices unsuitable for the purposes of determining the normal value for the goods under subsection 269TAC(1).³

The verification team has examined the information available and considers that these previous findings in relation to a market situation remain relevant, and that the normal value for Huada cannot be established under subsection 269TAC(1).

Given the shortened timeframe for this accelerated review, the verification team is unable to undertake a wholesale review of these findings. Further, there have been no submissions by interested parties to this accelerated review, nor any new information or evidence in the application by Huada, or during the verification, to provide a reasonable basis for making an

³ Refer to REP190, REP 456 and 457.
alternative finding. Accordingly, the normal value has preliminarily been ascertained under subsection 269TAC(2)(c).
6 NORMAL VALUE

6.1 Constructed normal value

Subsection 269TAC(2)(c) provides that, where the normal value cannot be ascertained under subsection 269TAC(1), the normal value of the goods may be calculated as:

- the cost of production or manufacture of the goods in the country of export; and
- on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade (OCOT) in the country of export, the selling, general and administrative (SG&A) costs associated with such a sale; and
- the profit on that sale.

6.1.1 Cost of Production

As required by subsection 269TAC(5A)(a), in ascertaining the normal value of the goods under subsection 269TAC(2)(c), the cost of production of the goods was established in accordance with section 43 of the Customs (International Obligations) Regulation 2015 (the Regulation).

While Huada did not export the goods to Australia during the accelerated review period, there were exports to other countries. The verification team requested its cost to make (CTM) data for exported models and Huada noted that its CTM is the same for export and domestic sales. As a result, the verification team considers it reasonable to use Huada’s CTM relating to like goods sold domestically and to third countries during the accelerated review period for the purpose of constructing normal values.

Section 43 of the Regulation provides that the cost of production must be worked out by using the information set out in Huada’s records if the records are in accordance with generally accepted accounting principles (GAAP) in China and reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The verification team is satisfied that Huada’s records are in accordance with GAAP in China.

The verification team performed a comparative analysis of Huada’s actual purchases of the key raw material input, being hot rolled coil (HRC) steel, with that of HRC bought competitively from the international market. In the Commission’s experience HRC accounts for in excess of 85 per cent of the CTM of galvanised steel, and a similar approach was taken in REP 190 and REP Nos 456 and 457. Noting the significant distortions in the steel market in China outlined above in the section concerning particular market situation, the verification team considers that Huada’s recorded costs of HRC therefore do not reflect competitive market costs.

The verification team has therefore adjusted Huada’s recorded cost of HRC to reflect a weighted average of verified domestic HRC prices obtained by cooperating exporters of HRC from Korea and Taiwan in the accelerated review period. This data covers one of the four quarters of that period. For the remaining quarters, the verification team adjusted the quarterly benchmark by reference to the percentage change in price observed on the Japan (Tokyo Steel) SBB Steel Prices index between the respective quarters.

---

4 Based on the Japan (Tokyo Steel) SBB Steel Prices index.
The weighted average benchmark prices used for the purpose of this accelerated review are at Confidential Appendix 1.

6.1.2 Selling, general and administrative costs

As required by subsection 269TAC(5A)(b), in ascertaining the normal value of the goods under subsection 269TAC(2)(c), the SG&A costs were established in accordance with section 44 of the Regulation.

Huada provided information on SG&A costs associated with its domestic sales of aluminium zinc coated steel. Consistent with the requirements of subsection 44(2) of the Regulation, the verification team is satisfied that Huada’s records are in accordance with the GAAP in China, and the records reasonably reflect the SG&A costs associated with the sale of like goods. As such, the verification team has used Huada’s SG&A information to construct Huada’s normal value.

6.1.3 Profit

As required by subsection 269TAC(5B), when ascertaining the normal value of the goods under subsection 269TAC(2)(c), the amount of profit included in the normal value was determined having regard to section 45 of the Regulation.

Subsection 45(2) of the Regulation provides that, if reasonably practicable, profit is to be determined by using data relating to the production and sale of like goods by the exporter of the goods in the OCOT.

The verification team calculated a weighted average profit margin for aluminium zinc coated steel based on like goods sold domestically. The calculation of this profit margin was based on domestic sales of like goods made in the OCOT, the selling prices of which were compared to the company’s domestic cost to make and sell (CTMS) for those goods as reported in the company’s REQ (prior to the adjustments made to the cost of HRC discussed above). Profit applicable in the OCOT was applied to the CTMS (refer to Confidential Appendices 2 and 3).
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(9):

### 7.1 Rationale and Methodology

<table>
<thead>
<tr>
<th>Adjustment Type</th>
<th>Rationale for Adjustment</th>
<th>Calculation Methodology</th>
<th>Claimed in REQ?</th>
</tr>
</thead>
<tbody>
<tr>
<td>inland transport, packing, handling, bank charges, commission, inspection fees</td>
<td>An upwards adjustment was made to account for the difference between goods exported to Australia at free-on-board (FOB) terms and Huada’s domestic sales – at Ex-works (EXW).</td>
<td>Export costs have been calculated based on the weighted average of export costs from verified exporters from China in the most recently completed continuation of measures.</td>
<td>N</td>
</tr>
<tr>
<td>value added tax (VAT) adjustment</td>
<td>An upwards adjustment was made to account for the difference in the amount of residual VAT that would apply to export sales of aluminium zinc coated steel.</td>
<td>The residual amount has been calculated at the rate of 4 per cent, which is the full VAT rate of 17 per cent less the 13 per cent VAT rebate that applies to export sales of aluminium zinc coated steel.</td>
<td>N</td>
</tr>
</tbody>
</table>

### 7.2 Adjustments

<table>
<thead>
<tr>
<th>Adjustment Type</th>
<th>Deduction/addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inland transport</td>
<td>Add the cost of export inland transport</td>
</tr>
<tr>
<td>Packing</td>
<td>Add the cost of export packing</td>
</tr>
<tr>
<td>Handling</td>
<td>Add the cost of export handling</td>
</tr>
<tr>
<td>Bank charges</td>
<td>Add the cost of export bank charges</td>
</tr>
<tr>
<td>Commission</td>
<td>Add the cost of export commission</td>
</tr>
<tr>
<td>Inspection fees</td>
<td>Add the cost for inspection fees</td>
</tr>
<tr>
<td>Non-refundable Value Added Tax (VAT)</td>
<td>Add the non-refundable VAT amount of 4 per cent</td>
</tr>
</tbody>
</table>

The verification team’s preliminary adjustment calculations are included in normal value calculations at Confidential Appendix 4.
8 EXPORT PRICE AND DUMPING MARGIN

8.1 Export sales of the goods

The verification team has found that Huada did not export the goods to Australia during the accelerated review period. As such, the export price of the goods cannot be determined under subsection 269TAB(1). Specifically, sufficient information is not available to determine the export price of the goods using:

- the price paid or payable by the importer,\(^5\)
- the price in Australia less prescribed deductions;\(^6\) or
- the price having regard to all the circumstances of the exportation.\(^7\)

8.2 Export price – all relevant information

The verification team has determined an export price under subsection 269TAB(3) having regard to all relevant information.

Specifically, the verification team considers it appropriate to determine the export price to be the same amount as that determined to be the normal value for the purposes of this accelerated review.

8.3 Dumping Margin

The verification team recommends that any IDD be calculated in accordance with the floor price duty method. For this accelerated review, as the ascertained export price is equal to the ascertained normal value, the dumping margin is not applicable, being zero per cent. A variable component of IDD will be applicable where the actual export price is below the ascertained normal value.

The verification team’s preliminary export price and dumping margin calculation is at Confidential Appendix 5.

---

\(^5\) Subsection 269TAB(1)(a).
\(^6\) Subsection 269TAB(1)(b).
\(^7\) Subsection 269TAB(1)(c).
9 COUNTERVAILABLE SUBSIDIES

9.1 Introduction and summary of preliminary findings

The verification team requested that Huada provide data and information relating to all subsidies it received during the accelerated review period. In its REQ, Huada provided information concerning raw material purchases, bank loans, tax subsidies and financial grants.

Based on the information available, the verification team has preliminarily assessed that certain financial and tax grants may be countervailable in relation to the goods.

The verification team’s preliminary assessment of subsidies applicable to the goods is outlined below:

<table>
<thead>
<tr>
<th>Program #</th>
<th>Program Name</th>
<th>Program Type</th>
<th>Previously Countervailed</th>
<th>Reported in REQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Preferential Tax Policies for High and New Technology Enterprises</td>
<td>Income Tax</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>37*</td>
<td>Patent special fund of Zhejiang Province</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>38*</td>
<td>Matching Funds for International Market Development for small and medium size enterprises (Dayuan)</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>39*</td>
<td>Promoting employment fund of Hangzhou Fuyang</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>40*</td>
<td>Capital market supporting fund</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>41*</td>
<td>Patent special fund of Hangzhou City</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>42*</td>
<td>Patent special fund of Hangzhou Fuyang</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>43*</td>
<td>Foreign trade development fund of Central government</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>44*</td>
<td>Open economy subsidy of Hangzhou Fuyang</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>46*</td>
<td>Industrial internet fund of Hangzhou City</td>
<td>Grant</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>47*</td>
<td>Subsidy for 1,000,000 –Ton precision cold rolled plate project</td>
<td>Grant</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>48*</td>
<td>Subsidy for 1,000,000 –Ton precision cold rolled plate project(Phase two)</td>
<td>Grant</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>49*</td>
<td>Reconstruction of coal-fired bokers with 10 or less tons of steam</td>
<td>Grant</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

9.2 Relevant legislation

Section 269TAAC defines a countervailable subsidy as follows:

(1) For the purposes of this Part, a subsidy is a countervailable subsidy if it is specific.

(2) Without limiting the generality of the circumstances in which a subsidy is specific, a subsidy is specific:

(a) if, subject to subsection (3), access to the subsidy is explicitly limited to particular enterprises; or

---

Exported Verification Report: Zhejiang Huada New Materials Co., Ltd

15
(b) if, subject to subsection (3), access is limited to particular enterprises carrying on business within a designated geographical region that is within the jurisdiction of the subsidising authority; or
(c) if the subsidy is contingent, in fact or in law, and whether solely or as one of several conditions, on export performance; or
(d) if the subsidy is contingent, whether solely or as one of several conditions, on the use of domestically produced or manufactured goods in preference to imported goods.

(3) Subject to subsection (4), a subsidy is not specific if:

(a) eligibility for, and the amount of, the subsidy are established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification; and
(b) eligibility for the subsidy is automatic; and
(c) those criteria or conditions are neutral, do not favour particular enterprises over others, are economic in nature and are horizontal in application; and
(d) those criteria or conditions are strictly adhered to in the administration of the subsidy.

(4) The Parliamentary Secretary may, having regard to:

(a) the fact that the subsidy program benefits a limited number of particular enterprises; or
(b) the fact that the subsidy program predominantly benefits particular enterprises; or
(c) the fact that particular enterprises have access to disproportionately large amounts of the subsidy; or
(d) the manner in which a discretion to grant access to the subsidy has been exercised;

determine that the subsidy is specific.

(5) In making a determination under subsection (4), the Parliamentary Secretary must take account of:

(a) the extent of diversification of economic activities within the jurisdiction of the subsidising authority; and
(b) the length of time during which the subsidy program has been in operation.

Sections 269TACC and 269TACD concern determinations by the Parliamentary Secretary whether a benefit has been conferred by a financial contribution or price support, and the amount of the countervailable subsidy.

### 9.3 Preferential tax programs

In its REQ, Huada indicated that it received a benefit under Program 10 – Preferential Tax Policies for High and New Technology Enterprises, which was previously found to be countervailable in Investigation 193.

Huada provided relevant information to show the tax benefit received in relation to this program.

It is noted by the verification team that this program provided a benefit in relation to all products sold by Huada.
9.4 Grants and preferential policies

Huada indicated that it received a benefit from local government which falls within Program 13 – Matching Funds for International Market Development for small and medium enterprises (SMEs). Based on the information provided, this grant was administered on a regional level rather than by the Ministry of Finance and Ministry of Commerce and has different criteria. The verification team has therefore assessed it as a new program.

Huada also reported that it received a benefit from a 9 other programs during the review period.

The verification team reconciled countervailable subsidies in Huada’s REQ to relevant account ledgers and audited financial statements.

9.4.1 Exceptions during verification of grants

During the verification, 3 additional financial grants were identified that were not included in Huada’s REQ. The verification team has assessed the benefit of these grants based on the amount that was received during the review period.

Of the 13 financial grants received during the accelerated review period, the verification team has preliminary assessed that 12 may be countervailable. An assessment of all relevant programs is at Appendix A – Assessment of subsidy programs.

9.5 Preliminary assessment

After assessing all relevant information the verification team found that subsidies were received in respect of aluminium zinc coated steel manufactured by Huada.

The subsidy margin applicable to Huada in the accelerated review period is .47 per cent.

Details of the preliminary countervailing margin calculation are at Confidential Appendix 6.
## 10 APPENDICES AND ATTACHMENTS

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix A</td>
<td>Preliminary assessment of subsidy programs</td>
</tr>
<tr>
<td>Confidential Appendix 1</td>
<td>HRC benchmark</td>
</tr>
<tr>
<td>Confidential Appendix 2</td>
<td>Cost to make and sell</td>
</tr>
<tr>
<td>Confidential Appendix 3</td>
<td>Domestic sales, OCOT and profitability</td>
</tr>
<tr>
<td>Confidential Appendix 4</td>
<td>Normal Value</td>
</tr>
<tr>
<td>Confidential Appendix 5</td>
<td>Export price and dumping margin</td>
</tr>
<tr>
<td>Confidential Appendix 6</td>
<td>Countervailing margin</td>
</tr>
<tr>
<td>Confidential Attachment 1</td>
<td>Verification work program</td>
</tr>
</tbody>
</table>
Public Record

Appendix A – Preliminary Assessment of Subsidy Programs

A1 Preliminary assessment of subsidy programs - Preferential taxation policies

Huada reported 1 program in this category, previously found to be countervailable (REP 193). The verification team’s assessment as to the method used to calculate the subsidy margin under this program, is contained below.

Program number 13 – Preferential Tax Policies for High and New Technology Enterprises

Background
In its REQ, Huada reported receiving a benefit under this program and provided tax income information in its REQ.

Legal Basis
This program is provided for under Article 28 of the Enterprise Income Tax Law (EITL). It is considered likely that this program is a national program, administered by the State Administration of Taxation (SAT).

WTO Notification
The verification team is not aware of any WTO notification of this program.

Eligibility Criteria
From the EITL, it is understood that all high and new technology enterprises are eligible for this program.

Is it a subsidy?
The verification team considers that the tax benefit under this program is a financial contribution by the GOC, which involves the foregoing, or non-collection, of revenue due to the GOC.

The verification team further considers that a financial contribution under this program is made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to recipient manufacturers of aluminium zinc coated steel because of the tax savings realised.

As Huada received tax savings under this program, this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.
Is the subsidy countervailable?

The verification team considers that no new information has been provided that would warrant a reconsideration of the determination made in relation to this program in REP 193.

A subsidy is considered specific if access to the subsidy is explicitly limited to particular enterprises (s.269TAAC(2)(a)). The eligibility criteria of this subsidy limits it to enterprises that are considered higher and/or new technology enterprises. As the criteria or conditions providing access to the subsidy favour particular enterprises, the specificity of the subsidy is not excepted by reference to s.269TAAC(3).

Therefore, the Commission considers this subsidy program to be specific, and therefore countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

A2 Preliminary assessment of subsidy programs - Financial grants

Huada reported 10 programs in this category, none of which were previously found to be countervailable. During the course of the verification, an additional 3 grants were identified from Huada’s financial statements.

The verification team’s assessment as to whether these additional programs are countervailable subsidies in respect of aluminium zinc coated steel, and the method used to calculate the subsidy margin under this program, is contained below. The verification team considers that all financial grants except program number 45 may be countervailable.

For programs 37-45, Huada reported receiving a benefit under these programs and the amount received in the accelerated review period has been reconciled to the non-operating income account ledger.

Programs 46-48 were not reported in Huada’s REQ. However, these programs have been verified from Huada’s financial statements and non-operating income account ledger.

Program number 37 – Patent special fund of Zhejiang Province

Legal Basis

Huada reported the legal basis for the subsidy as:
WTO Notification

The verification team is not aware of any WTO notification of this program.

Eligibility Criteria

Based on the information provided in Huada’s REQ, the grant is provided for the creation, protection and management of intellectual property in Zhejiang province. Eligibility is therefore limited to companies operating in Zhejiang Province.

Is it a subsidy?

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Zhejiang Province).

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods
In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 38 – Matching Funds for International Market Development for small and medium size enterprises (Dayuan)

Legal Basis
Huada reported the legal basis for the subsidy as:

- Notice of enterprises with outstanding contribution to economic development, enterprises with excellent safety in production, advanced individuals and key growth-oriented small and medium-sized enterprises in 2017

WTO Notification
The verification team is not aware of any WTO notification of this program.

Eligibility Criteria
Based on the information provided in Huada’s REQ, the grant is provided for advanced tax paying enterprises, key investment in advanced enterprises, self-owned export enterprises, 100 million yuan enterprises, the first large-scale enterprises, Hangzhou-level and above famous brand trademark enterprises, enterprises with outstanding contribution to economic development, enterprises with excellent safety in production, advanced individuals and key growth-oriented SMEs in 2017.

Is it a subsidy?
The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?
Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(a), the verification team considers that this subsidy is explicitly limited to particular enterprises as set out in the eligibility criteria above.

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 39 – Promoting employment fund of Hangzhou Fuyang

Legal Basis

The verification team is not aware of any legal basis of this program.

WTO Notification

The verification team is not aware of any WTO notification of this program.

Eligibility Criteria

Based on the information provided in Huada’s REQ, the grant is provided for promoting employment in Fuyang District in Hangzhou.

Is it a subsidy?

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.
Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Fuyang District, Hangzhou, Zhejiang Province).

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 40 – Capital market supporting fund

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice on appropriation of funds for capital market utilization by enterprises in Hangzhou in 2017
- Legislation name/numbers: FuFaGai JinRong (2017) 10 No. 9; FuCaiqi (2017) No. 813

WTO Notification

The verification team is not aware of any WTO notification of this program.

Eligibility Criteria

Based on the information provided in Huada’s REQ, the grant is provided for capital market utilization by enterprises in Hangzhou.

Is it a subsidy?

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

Exporting Verification Report: Zhejiang Huada New Materials Co., Ltd
In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Hangzhou, Zhejiang Province).

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 41 – Patent special fund of Hangzhou City

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice on appropriation of the first batch of special grants for patents in Hangzhou in 2017
- Legislation name/number: FuKe (2017) No. 60

WTO Notification

The verification team is not aware of any WTO notification of this program.

Eligibility Criteria

The grant was provided in relation to patents in Hangzhou in 2017 and is therefore specific to enterprises operating in Hangzhou, Zhejiang.

Is it a subsidy?
PUBLIC RECORD

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Hangzhou, Zhejiang Province).

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 42 – Patent special fund of Hangzhou Fuyang

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice on the grant of special funding for Hangzhou Fuyang District in 2017

WTO Notification

The verification team is not aware of any WTO notification of this program.
PUBLIC RECORD

Eligibility Criteria

The grant was provided in relation to patents in Fuyang District, Hangzhou in 2017 and is therefore specific to enterprises operating in Hangzhou, Zhejiang.

Is it a subsidy?

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Hangzhou, Zhejiang Province).

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 43 – Foreign trade development fund of Central government

Legal Basis

Huada reported the legal basis for the subsidy as:

Exporter Verification Report: Zhejiang Huada New Materials Co., Ltd
PUBLIC RECORD

- Hangzhou Fuyang District Business Bureau Hangzhou Fuyang District Finance Bureau's Notice on the Special Fund for the Development of Foreign Economic and Trade of the Central Committee in 2017

WTO Notification
The Commission is not aware of any WTO notification of this program.

Eligibility Criteria
The grant was provided in relation to foreign trade and economic development in 2017.

Is it a subsidy?
The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?
Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(a), the verification team considers that this subsidy is explicitly limited to particular enterprises engaging in foreign trade and investment.

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods
In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. In its REQ, Huada stated that the grant provided a benefit in relation to all products. The verification team considers that the grant is

Exporter Verification Report: Zhejiang Huada New Materials Co., Ltd
PUBLIC RECORD

received specifically in relation to exports and has allocated the grant to sales of exports of like goods as a proportion of total export revenue to determine a subsidy margin.

Program number 44 – Open economy subsidy of Hangzhou Fuyang

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice on Issuing Fuyang special economic subsidy fund for 2017

WTO Notification

The Commission is not aware of any WTO notification of this program.

Eligibility Criteria

The grant was provided in relation to economic and financial activity in Fuyang District (Hangzhou) in 2017.

Is it a subsidy?

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Hangzhou, Zhejiang Province).
The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 45 – Withholding tax commission subsidy

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice of the People’s Bank of China, State Administration of Taxation, Ministry of Finance, on Further Strengthening the Administration of Tax Procedures

WTO Notification

The Commission is not aware of any WTO notification of this program.

Eligibility Criteria

In its REQ, Huada stated that the grant is received in relation to tax deduction in relation to strengthening the administration of tax procedures.

Is it a subsidy?

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?
Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

The verification team considers that the grant is applicable to all companies that adopt certain taxation procedures and is therefore not specific in accordance with subsection 269TAAC(3).

**Program number 46 – Industrial internet fund of Hangzhou City**

**Legal Basis**

Huada reported the legal basis for the subsidy as:

- Notice of the District Finance Bureau of the District Economic and Information Bureau on the Allocation of Financial Funds for the 2017 Hangzhou Factory Internet of Things and Industrial Internet Pilot Project

**WTO Notification**

The Commission is not aware of any WTO notification of this program.

**Eligibility Criteria**

The grant was provided in relation to pilot projects of Hangzhou Internet of things.

**Is it a subsidy?**

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

**Is the subsidy countervailable?**

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.
In accordance with subsection 269TAAC(2)(b), the verification team considers that this subsidy is limited to and predominantly benefits particular enterprises carrying out business within a designated geographical region (i.e. Hangzhou, Zhejiang Province).

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

**The amount of subsidy in respect of the goods**

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

**Program numbers 47 and 48 – Subsidy for 1,000,000 –Ton precision cold rolled plate project; Subsidy for 1,000,000 –Ton precision cold rolled plate project (phase two)**

**Legal Basis**

According to Huada's audited financial statements the legal basis for this subsidy is:

- Letter about Subsidy of Project from CPC Dayuan Town Committee and the Dayuan Town People’s Government Project (Notes about Subsidy for Zhejiang Huada New Materials Company); and
- Notice about Release of Financial Funds for Construction of Industrial Key Districts (Key Industry Input and Mechanization) in 2016
- Legislation name/numbers: FuJingXinCai (2016) No. 35; FuCaiQi (2016) No. 1047

**WTO Notification**

The Commission is not aware of any WTO notification of this program.

**Eligibility Criteria**

Based on the information available, the grant was conferred by the CPC Dayuan Town Committee in relation to construction of key industry (key industry input and mechanisation).

**Is it a subsidy?**

The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).
PUBLIC RECORD

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

Is the subsidy countervailable?

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(a), the verification team considers that this subsidy is explicitly limited to particular enterprises as set out in the eligibility criteria above.

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

The amount of subsidy in respect of the goods

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.

Program number 49 – Reconstruction of coal-fired borers with 10 or less tons of steam

Legal Basis

According to Huada’s audited financial statements the legal basis for this subsidy is:

- Notice on Release of the First List of Subsidy of Reconstruction of coal-fired borers with 10 or less tons of steam FuJingXinCai (2016) No. 19

WTO Notification

The Commission is not aware of any WTO notification of this program.

Eligibility Criteria

Based on the information available, the grant was conferred in relation to the reconstruction of coal-fired borers with 10 or less tons of steam.

Is it a subsidy?
The verification team considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant.

The verification team further considers that a financial contribution under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprise (including aluminium zinc coated steel).

In accordance with subsection 269TACC(2), this financial contribution is considered to confer a benefit to Huada because it involves a direct financial payment and this would therefore confer a benefit in relation to the goods, and this financial contribution meets the definition of a subsidy under section 269T.

**Is the subsidy countervailable?**

Due to the lack of relevant information provided by the applicant, or previously in the investigation and continuation of measures, the verification team has based its finding on all the facts available and made such assumptions as considered reasonable.

In accordance with subsection 269TAAC(2)(a), the verification team considers that this subsidy is explicitly limited to particular enterprises as set out in the eligibility criteria above.

The specificity of the subsidy is not excepted by reference to subsection 269TAAC(3). Therefore, the verification team considers this subsidy program to be specific, and therefore may be countervailable.

**The amount of subsidy in respect of the goods**

In accordance with subsection 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by the applicant. The verification team allocated the amount of the grant to sales of all goods as a proportion of sales revenue to determine a subsidy margin.