



Exporter Verification Report

Verification & Case Details

Initiation Date	3 July 2019	ADN:	ADN 2019/086
Case:	Continuation – Dumping and subsidisation – Deep drawn stainless steel sinks		
Case Number	517		
Exporter	Zhuhai Grand Kitchenware Co.,Ltd.		
Location	China		
Verification from	16 September 2019	to	20 September 2019
Inquiry Period	1/07/2018	to	30/06/2019

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

CONTENTS	2
1 COMPANY BACKGROUND.....	3
1.1 CORPORATE STRUCTURE AND OWNERSHIP	3
1.2 RELATED PARTIES.....	3
2 THE GOODS AND LIKE GOODS	4
2.1 PRODUCTION PROCESS.....	4
2.2 MODEL CONTROL CODES (MCCs).....	4
2.3 MAPPING OF MCC SUB-CATEGORIES.....	4
2.4 THE GOODS EXPORTED TO AUSTRALIA.....	5
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....	6
2.6 LIKE GOODS – ASSESSMENT.....	7
3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	8
3.1 EXCEPTIONS DURING VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	8
3.2 SALES COMPLETENESS AND RELEVANCE FINDING	9
4 VERIFICATION OF SALES ACCURACY	10
4.1 SALES ACCURACY FINDING.....	10
5 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE	11
5.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA	12
5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA.....	12
6 VERIFICATION OF CTMS ACCURACY	13
6.1 COST ALLOCATION METHOD	13
6.2 EXCEPTIONS DURING VERIFICATION OF CTMS ALLOCATION METHOD.....	14
6.3 VERIFICATION OF ACCURACY OF CTMS DATA.....	14
6.4 RELATED PARTY SUPPLIERS.....	14
6.5 ACCURACY FINDING.....	15
7 EXPORT PRICE.....	16
7.1 THE IMPORTERS	16
7.2 THE EXPORTER.....	16
7.3 ARMS LENGTH.....	16
7.4 EXPORT PRICE – ASSESSMENT	17
8 DOMESTIC SALES SUITABILITY	18
8.1 ARMS LENGTH.....	18
8.2 ORDINARY COURSE OF TRADE.....	18
9 ADJUSTMENTS	21
9.1 RATIONALE AND METHOD	21
9.2 ADJUSTMENTS	22
10 NORMAL VALUE	23
11 DUMPING MARGIN.....	24
12 SUBSIDIES.....	25
12.1 PROGRAM 1 - RAW MATERIALS PROVIDED BY THE GOVERNMENT AT LESS THAN FAIR MARKET VALUE 25	
12.2 TAX BENEFITS	25
12.3 FINANCIAL GRANTS	26
12.4 SUBSIDY MARGIN.....	26
13 APPENDICES AND ATTACHMENTS.....	28

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Zhuhai Grand Kitchenware Co.,Ltd. (Zhuhai Grand) is a manufacturer and exporter of the goods and sell the goods both in the domestic market and the overseas markets.

Zhuhai Grand is a subsidiary of Guangdong Machinery Metals and Minerals Import and Export Group Co., Ltd. (GMG). A diagram provided by the company shows that the ultimate owner of GMG is Guangdong Guangxin Holding Group Co., Ltd., and that GMG is the parent company of 41 subsidiaries, of which Zhuhai Grand is one.

Zhuhai Grand has no subsidiaries. Both Zhuhai Grand and GMG are unlisted entities.

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 suppliers

Zhuhai Grand purchases raw materials from the related entity GMG. The verification team's testing of costs to determine whether they are arms length is further discussed at section 6.4.

1.2.2 Related customers

The verification team has reconciled Zhuhai Grand's customer data to its related entities and is satisfied that no customers (export or domestic) to which the goods are sold are considered related parties.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

The verification team inspected the manufacturing facilities and witnessed the production process. The verification team is satisfied that there are no differences in the processes for like goods and the goods. The manufacturing process is outlined below:

1. Cutting the raw materials. The raw materials consists of stainless steel in coils of various thicknesses.
2. Pressing the sheets to make the bowls. The metal sheet is pressed into a mould in a machine that is operated manually. There are two pressings. The first pressing is for the shaping of the bowl. The second pressing for defining the edge.
3. Welding, grinding and satin. Welding is only required for connecting two or more bowls together, or for connecting bowl to drainer board. Sanding is required to achieve a matte (satin) finish.
4. Cleaning and washing. Cleaning is required to get rid of dust and any dirt from production prior to waxing the final product.
5. Packing and Storage of goods. When goods is clean and waxed it is moved to ware house for packing and dispatch. It was noted that some semi-finished goods is also kept in store until further finishing.

2.2 Model Control Codes (MCCs)

As detailed in ADN 2019/086, the Commission elected not to propose an MCC structure at the outset of this inquiry. To aid in assessing the suitability of an MCC structure, the Commission requested additional information be provided for all product models that the importers, exporters, and Australian industry sell.

Zhuhai Grand provided sales and cost data in its response to the exporter questionnaire in accordance with ADN 2019/86.

The exporter did not propose an MCC structure during the verification. The verification team explained that the data collected during the verification visit may be used by the case team to construct MCC categories for the goods and also stated that the exporter's views on the price and cost drivers would be taken into consideration. The verification team explained that the company will have the opportunity to lodge submissions on the subject of the MCC structure once the SEF is published.

2.3 Mapping of MCC sub-categories

Analysis of Zhuhai Grand's price data, as well as the verification teams discussion's with the company representatives of Zhuhai Grand, indicates that the total size of the sink and the consumption of stainless steel required is the main driver of both cost

PUBLIC RECORD

and price in relation to the goods, and can be linked to the following attributes of the sink:

- Number of bowls;
- Number of drainer boards; and
- Total capacity of bowls

The verification team therefore, in collaboration with the case manager, found it appropriate to map the MCC structure to include these attributes.

The verification team consider other attributes of the goods, including steel thickness, finish, and angle/radius of the bowl, but found no evidence that any of these attributes had a consistent impact on price.

Item	Category	Subcategory	MCC component
1	Number of bowls	1 Bowl	1BWL
		2 Bowls	2BWL
2	Number of drainer boards	No drainer board	0DB
		1 drainer board	1DB
		2 drainer boards	2DB
3	Total sink capacity (Litres or "L")	Greater than or equal to 7L but less than or equal to 30L	A
		Greater than 30L but less than or equal to 50L	B
		Greater than 50L but less than or equal to 70L	C
Example MCC code: 1BWL-1DB-A			

Table 1 – MCC Structure

2.4 The goods exported to Australia

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

MCC
1BWL-2DB-A
1BWL-0DB-A
1BWL-0DB-B
2BWL-0DB-C
1BWL-1DB-A
2BWL-1DB-A
2BWL-1DB-B
2BWL-0DB-B

PUBLIC RECORD

MCC
2BWL-2DB-B
2BWL-0DB-A

Table 2 – MCCs exported to Australia

2.5 Like goods sold on the domestic market

The verification team were satisfied that Zhuhai Grand 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:

- **Physical likeness:** the goods manufactured for domestic consumption 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);
- **Production likeness:** the goods manufactured for domestic consumption are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- **Commercial likeness:** the goods manufactured for domestic consumption compete in the same market sector, are interchangeable and use similar distribution channels; and
- **Functional likeness:** the goods manufactured for domestic consumption can be considered functionally alike, as they have identical end uses.

Zhuhai Grand sold like goods on the domestic market with the following MCCs during the period:

MCC
1BWL-0DB-A
2BWL-0DB-A
2BWL-0DB-B
2BWL-0DB-C
3BWL-0DB-B
1BWL-2DB-A
2BWL-2DB-B
2BWL-1DB-A
2BWL-1DB-C
1BWL-1DB-A
2BWL-1DB-B
1BWL-0DB-B
1BWL-0DB-C

Table 3 – Domestic Like Goods MCCs

2.6 Like goods – assessment

The verification team considers that the goods produced by Zhuhai Grand for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the *Customs Act 1901* (the Act).¹

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

3 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 total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the Response to the Exporter Questionnaire (REQ) by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- The total company revenue in the audited income statement in the income year ending December 2018 was reconciled to the total company revenue in the inquiry period by the company's trial balance, extracted from the company's ERP during the verification visit.
- The company had categorised the goods sold in the inquiry period in a number of categories, one of which being the Goods under consideration. Zhuhai Grand demonstrated how the sales of the various goods categories are captured and identified on the ERP. The verification team requested the company to extract the stock-out listing, on which the categorisation is based, during the verification visit and is satisfied that the amounts and quantities of each category is correct. The verification team reviewed samples of non-GUC goods to ensure these were not the goods.
- Reconciled the total quantities and amounts of the GUC sales in the inquiry period to Zhuhai Grand's REQ response in attachments B-2 Export sales, D-2 Domestic sales and F-2 Third country sales. The verification team reviewed customer codes and tested transactions to ensure that the GUC sales had been coded to the correct market.

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**.

3.1 Exceptions during verification of sales completeness and relevance

Number	Exception	Resolution
1	It was found that some of the goods in domestic and export sales listings are purchased (not	The verification team queried how purchased goods can be identified by the company's ERP, and when satisfied that purchased goods can reliably be identified, requested a revised sales

PUBLIC RECORD

Number	Exception	Resolution
	manufactured by Zhuhai Grand)	listing with an additional column inserted indicating whether the good is purchased or not. This was requested for both domestic and Australian sales. Purchased goods can be identified by warehouse code in the stock-out listing.
2	The company identified during verification visit that some inland transport figures were incorrect and inclusive of VAT.	The company provided a revised sales listing during the visit
3	The company provided samples free of charge to some regular Australian customers	The verification team decided to not include these sinks in the dumping margin calculations.
4	100 replacement sinks provided FOC to an Australian customer in relation to damaged goods sold prior to the inquiry period.	The verification team decided to not include these sinks in the dumping margin calculations since the sales had been booked prior to the inquiry period.
5	The verification team found that 148 sinks on the Australian sales listing were non GUC due to the combined sink capacity exceeding 70 litre.	The verification team decided to not include these sinks in the dumping margin calculations.
6	The verification team found that 6 sinks on the domestic sales listing were non GUC due to the combined sink capacity being less than 7 litre	The verification team decided to not include these sinks in the dumping margin calculations.
7	The verification team found that 131 sinks included in the domestic sales listing were sold outside the inquiry period	The verification team decided to not include these sinks in the dumping margin calculations.

Table 4 - Exceptions during verification of completeness and relevance of sales data

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by exporter, including any required amendments as outlined in the exception table above, is complete and relevant.

4 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 down to source documents. This verifies the accuracy of the data.

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 did not identified any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

The verification team established the following information as outlined in the table below:

Item	Method applied
Invoice value	Based on invoice
Quantity	Based on invoice and packing list
Date of sale	Taken as stock-out date, as appears on stock-out slip ²
Delivery	Based on actual cost , calculated from total expenses incurred for each container load divided by delivered sales volume
Port handling charges	Based on actual cost , calculated from total expenses incurred for each container load divided by delivered sales volume
Inland Transport	A small proportion of Australian sales were made at EXW terms. The verification team have adjusted these prices upwards to FOB using the weighted average inland transport costs for Australian sales made at FOB terms.

Table 5 – Sales verification summary

4.1 Sales accuracy finding

The verification team is satisfied that the sales data provided by Zhuhai Grand is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

² Generally the Commission's position is that the invoice date is to be taken as the date of sale unless the company can demonstrate that an alternative date better reflect the date of sale. Zhuhai Grand requested the stock-out date to be taken as the date of sale, as the company recognizes and records sales income based on the sales stock-out date. The verification team has compared the stock-out date to the invoice date for the export sales and domestic sales and found that the dates were generally comparable. The verification team accepted that taking the stock-out date as the date of sale allows for a more consistent comparison because the invoicing convention varied between export sales and domestic sales, and Zhuhai Grand made some retail sales on the domestic market with no invoices issued.

5 VERIFICATION OF CTMS 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 total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that have been excluded or should be excluded.

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.

The visit team verified the relevance and completeness of the cost data as follows:

1. Throughout the process the verification team used an extract of REQ to trace the total costs to the costing worksheets and trail balances in the financial records. The verification team was provided with a trial balance for the full year of 2018 to reconcile to the audited financial statements of 2018.
2. The upwards verification table provided in the REQ included a variance row which was used by the exporter to exclude the COGS of all non self-produced (e.g. purchased) goods from the COGS. This was supported by a variance calculation table that separated the COGS of self-produced and purchased goods as shown in the REQ. These amounts reconciled to the stock out tables provided as part of upwards sales. The verification team accept that this removes the COGS of purchased goods from the cost data and accepted this methodology.
3. The verification team confirmed that regardless of the market of sale, if the same sink is sold on the domestic or export market the cost is the same (when removing accessories). As such, the verification team accepted that it was possible to consider the total cost to make value as the point to reconcile to the cost sheets. Breaking into different markets caused significant risk of manual error in the calculation model and made no difference to the outcome

The visit team verified the relevance and completeness of the SG&A data as follows:

1. Zhuhai Grand calculated SG&A allocation to each SKU using the Commission's standard method (as per the formulas in G-4.2 of the REQ). The verification team reviewed the formulas provided in the REQ and consider it to be accurate. The company prepared a trial balance for the review period to establish the SG&A amounts in their REQ which reconciled to the financial accounts used.

PUBLIC RECORD

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 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
3	The verification team noted a variance between the trial balance for 2018 and the income statement in the financial reports of approximately. The company advised that this was due to an auditor's adjustment relating to moving costs from COGS to SG&A for research and development.	The verification team were satisfied that despite the adjustment required to the audited financial statements, the costs reported in the REQ, when related to the cost to make and SG&A were complete.
4	The verification team was unable to reconcile the total export selling expenses shown in the trial balance to the export sales listing. The total amount does not however reconcile to the B4 sales listing as the company exports to multiple markets and was unable to separate between markets. from the SG&A for sinks.	In downwards verification of sales the team was satisfied with the accuracy of the inland transport costs. Similarly as the company purchases all raw materials domestically, all customs fees relate solely to export handling and have been excluded from the domestic SG&A costs. As such, the verification team is satisfied that the domestic SG&A costs are accurate.

Table 6 – Exceptions during verification of completeness and relevance of CTMS data

5.2 Completeness and relevance finding of CTMS data

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

6 VERIFICATION OF CTMS ACCURACY

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information provided in the REQ to the relevant MCCs, 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**.

The table below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials Scrap Allocation	<p>The company advised that for each SKU the cost accounting system held a bill of materials (BOM) which outlined the production flow and cost elements for each stage of production, including all semi-finished goods. The system used actual costs and standard consumption amounts. To allow any cost replacement required for stainless steel, the company had to recalculate the cost of production for each SKU. This was due to the raw materials of the finished goods including direct labour and overheads of all inputs to that semi-finished good.</p> <p>The company advised that as it did not account for scrap at each stage of production it was not possible to determine the actual quantities consumed and amounts of scrap at each stage of production. As a result the total scrap is later used as an offset across all goods. The company calculated the scrap offset for each model with reference to the weight difference between the first semi-finished product and the final product as it knew the standard weights of both parts.</p>
Manufacturing Overheads Labour	<p>For each finished good and semi-finished goods the accounting system maintained a 'stock in' and 'stock out' register which resembled inventory ledgers. At each stage of production, labour and overheads were added at a constant ratio to steel weight of the raw materials consumed in that month and the weighted average cost transferred as raw materials to the next stage of production. The verification team consider this method of cost calculation reasonable and consistent with the weighted average inventory valuation methodology.</p>
Depreciation	<p>The company advised that the system used an inbuilt asset register automatically allocate depreciation to the manufacturing overheads costs. The verification team also noted that the tax returns and financial statements provided as part of the REQ confirmed that an approved depreciation schedule was being utilised by the company.</p>

Table 7 – Cost Allocation Method

6.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
5	The verification team noted that the master costing file allocated the cost of stainless steel to each SKU based on the weight of steel for SKU and the weighted average cost of that grade of steel cost across the entire inquiry period, which resulted in the same steel cost of production for each SKU across the period.	The revised costing methodology, as requested by the verification team, used the BOM and stock in stock out records to determine the actual cost and weight of steel in each relevant quarter. The verification team considers this accurately represents the likely stainless steel cost for each SKU in each quarter, and can be used for cost replacement of stainless steel quarterly if required.
6	The verification team selected the month of April 2019 for verification of direct labour costs. This followed the same product that was selected for the initial raw material trace. The company advised that in the cost sheet the total labour cost was shown and then allocated to the goods. The company advised that each month they accrue an amount and this amount flows into the cost of production. The verification team requested that the company validate the accrued amount to ensure that the cost of production reflected actual costs. The verification team noted a 13.4% variance in the selected month between accrual and actual costs that was not attributed to the cost model.	The company provided a revised labour listing (GP14-A) which showed the actual labour expenses for each month. As the payment is made in the following month, the company moved these forward a month to reflect the accrual that was recorded. The verification team were satisfied that the revised costs reflected the actual labour expenses incurred each month.

Table 8 – Exceptions during verification of CTMS allocation method

6.3 Verification of Accuracy of CTMS data

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 cost data down to source documents. This verifies the accuracy of the 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 did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.4 Related party suppliers

Zhuhai Grand purchased stainless steel from both related and unrelated parties during the inquiry period. The verification team noted that in all instances where

PUBLIC RECORD

purchases that are made from a related parties, the related party is not the manufacturer of the goods and acts as a trader. The verification team was satisfied that the prices obtained from the related party were not influenced by the relationship and were arms length prices. The relationship is further discussed in the discussion on less than adequate remuneration later in this report.

6.5 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Zhuhai Grand, including any required amendments as outlined as an exception above, is accurate.

7 EXPORT PRICE

7.1 The importers

The verification team considers Zhuhai Grand's Australian customers to be the beneficial owners of the goods at the time of importation and therefore the importers as Zhuhai Grand's Australian customers are:

- named on the commercial invoice as the customer;
- named as the consignee on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

In relation to the goods exported by Zhuhai Grand 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

Subject to further inquiries, the verification team considers Zhuhai Grand to be the exporter of the goods³, as Zhuhai Grand is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and,
- arranges and pays for the port handling charges at the port of export.

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

7.3 Arms length

The verification team considers the sales between the exporter and importer to be at arms length. The verification team found no evidence that:

- there any consideration payable other than the price; or
- that the price has been influenced by a commercial or other relationship; or
- that the buyer/buyer's associate been reimbursed or compensated by the seller/seller's associate.

³ 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.

7.4 Export Price – assessment

In respect of Australian sales of the goods by Zhuhai Grand, 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**.

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 section 269TAC(1).

8.1 Arms length

Zhuhai Grand did not sell like goods to related entities during the inquiry period.

In respect of Zhuhai Grand’s domestic sales of like goods to its unrelated customers 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 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 Zhuhai Grand to its unrelated domestic customers during the period were arm’s length transactions.

8.2 Ordinary course of trade

Section 269TAAD states that domestic transactions are not in the ordinary course of trade (OCOT) if arms length transactions are:

- unprofitable in substantial quantities over the investigation period; and
- unlikely to be recoverable within the period.

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction.

The team then tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses
Cost	Quarterly cost to make and sell, excluding direct selling expenses

PUBLIC RECORD

OCOT particulars	Details
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the period

Table 9 – OCOT Details

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Domestic sales of like goods are taken to be in a low volume pursuant to section 269TAC(14) where the total volume of like goods sold in the OCOT is less than five percent of the total volume of the goods under consideration that are exported to Australia (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison).

The verification team assessed the total volume of like goods as a percentage of the goods exported to Australia for the whole period and found that the domestic sales were sufficient. As a result, the verification team are satisfied that normal values can be ascertained under section 269TAC(1).

As per the *Dumping and Subsidy Manual*⁴, where the total volume of like goods is greater than five percent of the total volume of the goods under consideration, and where comparable models exist, the Commission also tests the suitability of domestic sales of like goods individually for each model type.

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

Export MCCs	Sufficient domestic sales of identical MCC	Treatment of normal value where there were insufficient domestic sales of identical MCC
1BWL-0DB-A	Y	
1BWL-0DB-B	N	Surrogate model 1BWL-0DB-A with specification adjustment under TAC(8)
1BWL-1DB-A	Y	
1BWL-2DB-A	Y	
2BWL-0DB-A	Y	
2BWL-0DB-B	N	Surrogate model 2BWL-0DB-A with specification adjustment under TAC(8)
2BWL-0DB-C	N	Surrogate model 2BWL-0DB-A with specification adjustment under TAC(8)
2BWL-1DB-A	N	Surrogate model 2BWL-0DB-A with specification adjustment under TAC(8)

⁴ Available at www.industry.gov.au.

PUBLIC RECORD

Export MCCs	Sufficient domestic sales of identical MCC	Treatment of normal value where there were insufficient domestic sales of identical MCC
2BWL-1DB-B	N	Surrogate model 2BWL-2DB-B with specification adjustment under TAC(8)
2BWL-2DB-B	Y	All domestic sales were recorded in one quarter therefore timing adjustment were applied under TAC(8) for the remaining quarters.

Table 10 – Sufficiency test

As outlined in **Error! Reference source not found.** above, the verification team found that there were sufficient domestic sales volumes of identical MCCs made in OCOT for 5 MCCs exported to Australia. For one of these MCC's all domestic sales were recorded in one quarter and the verification team therefore applied timing adjustments under TAC(8) to establish normal values for the remaining quarters in relation to this MCC.

For the 5 MCCs export to Australia where there were insufficient sales of the identical MCCs, the verification team found sufficient domestic sales volumes of surrogate models based on the MCCs with the closest physical characteristics under the MCC hierarchy structure. In relying on surrogate models, the verification team considered specification adjustments under TAC(8) is warranted to ensure fair comparison between the export model and surrogate domestic model.

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 section 269TAC(8).

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic inland transport	Not necessary as the domestic SGA that forms part of the normal value calculation is not inclusive of freight costs.	N/A	Y	N
Export inland transport	Export sales are mainly made at FOB Zhuhai terms of trade, therefore the normal value needs to be adjusted for the cost of transporting the exported goods from the factory to the port.	The verification team has calculated weighted average export port handling charges per piece, based on Zhuhai Grand's export sales.	Y	Y
Export port charges	Export sales are mainly made at FOB Zhuhai terms of trade, therefore the normal value needs to be adjusted for the cost of port handling charges	The verification team has calculated weighted average export port handling charges per piece, based on Zhuhai Grand's export sales.	Y	Y
Non-refundable VAT	Export sales are not subject to VAT, however Zhuhai Grand receive a partial VAT refund in relation to export sales. The normal value needs to be adjusted for the differential between the VAT rate applicable and the VAT refund received.	<p>The period 1 July 2018 to 31 March 2019 the VAT rate was 16% on GUC and like goods. From 1 April 2019 the VAT rate dropped to 13%. These rates were verified externally. The VAT rebate was 9% in calendar year 2018 and increased to 13% in calendar year 2019.</p> <p>The verification team has confirmed that these rates were applied in the Export sales listing and calculated the weighted average actual non-refundable VAT expressed as a percentage and applied to the normal value.</p>	Y	Y
Specification (accessories)	The cost to make component of the normal value calculation was calculated on the cost of the sinks only. The normal value	Zhuhai Grand provided cost data of the accessory packs provided with the sinks. It is noted that Zhuhai Grand does not manufacture accessories. The verification	N	Y

PUBLIC RECORD

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
	needs to be adjusted for the cost of export accessories.	team has calculated the weighted average cost per sink of export accessories, based on the composition of accessories sold with sinks to Australia during the inquiry period.		

Table 11 – Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for export port handling charges
Non-refundable VAT	Add an amount for non-refundable VAT
Specification	Add an amount for specification

Table 12 – Summary of adjustments

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 there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms 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 section 269TAC(1).

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

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

11 DUMPING MARGIN

In the original investigation at section 6.8 of *Anti-Dumping Commission Report No.238*, the Commission did not consider that the cost of grade 304 stainless steel cold rolled coil reflected competitive market costs under Regulation 180(2) of the *Customs Regulations 1926*. As a result, the Commission replaced the cost reported by each exporter was replaced with a competitive market substitute.

As it is the Commission's intention in this inquiry to also further consider whether the cost of stainless steel cold rolled coil incurred by the selected exporters during the inquiry period satisfy section 43(2) of the *Customs (International Obligations) Regulations 2015*, the preliminary dumping margin determined as a result of the verification process will not be published. The Commission's proposal regarding the treatment of stainless steel costs, and the resulting impact on each exporter's dumping margin, will be outlined in the Statement of Essential Facts.

12 SUBSIDIES

For the operation of the current anti-dumping and countervailing duty measures, exports of the goods by Zhuhai Grand are subject to its own rate of countervailing duty. As a result, it is necessary to examine the level of subsidisation that is applicable to Zhuhai Grand's exports of the goods during the inquiry period.

12.1 Program 1 - Raw Materials Provided by the Government at Less than Fair Market Value

In the original investigation, the Commission found that exporters received a financial contribution that conferred a benefit through the provision of 304 grade stainless steel (SS) cold rolled coil (CRC) at less than adequate remuneration (LTAR) by State Invested Enterprise (SOE) and State Invested Enterprise (SIE) manufacturers and suppliers.

To establish whether the cooperating exporters in this inquiry received a benefit under program one, the verification team collected information on whether the raw material purchased by exporters was supplied by and/or manufactured by a SOEs or SIEs.

The verification team notes that raw materials purchases reported by Zhuhai Grand were made through a mixture of SIE intermediaries (traders) and private organisations. The verification team was satisfied that the manufacturer of all stainless steel purchased were not SIEs.

To assess whether a benefit may have been conferred by SIE intermediaries the verification team compared the selling prices of intermediaries and noted that the sales made via SIE intermediaries were priced consistently higher than purchases from non SIE intermediaries.

The verification team is of the view that purchases of stainless via SIE intermediaries did not confer a benefit being received by Zhuhai Grand. As such, the verification team has not calculated an amount of subsidy in relation to less than adequate remuneration.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

12.2 Tax benefits

The verification team verified the income tax information provided in the REQ by reconciling the information to the tax returns and proof of payment documents. The verification team did not identify any issues during this process.

The verification team noted that the tax offset benefit received by Zhuhai Grand Kitchenware resulted in a taxable income of zero at the end of the most recently completed financial year. As such, the verification team have calculated the taxable

PUBLIC RECORD

income without the offset program to determine the amount of benefit received by Zhuhai Grand during the review period. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

12.3 Financial Grants

The verification team verified the completeness, relevance and accuracy of the financial grants listing provided in the REQ by reconciling the listing by reconciling the listing up to the general ledger and down to source documents.

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**.

12.3.1 Exceptions during verification of financial grants listing

No.	Exception	Resolution
7	Two grants listed under program 20 were claimed to relate to all sales of the company and should relate to export sales only.	The verification team queried the company as to the nature of this grant, which purpose was described as “encourage SMGs in foreign trade to hold exhibition in overseas countries”. The verification team considered this related to export sales generally and adjusted the classification accordingly.
8	One grant was classified as not relating to all sales.	The verification team queried the company as to the nature of the grant which purpose was described as “encourage companies in stable, steady employment”. The company advised that this grant was related to the business of the company generally to maintain some stable employment and to no lay off too many people in the current year. The verification team considered this provided a benefit to all sales, and as such consider it is appropriate to all sales.

Table 13 – Exception during verification of financial grants listing

12.4 Subsidy margin

The verification team found that Zhuhai Grand Kitchenware received a benefit in relation to the following programs:

- Program 20 - Development of market projects for SMEs in foreign trade (encourage SMEs in foreign trade to hold exhibition in overseas countries);
- New program - Jinwan technology transformation funds;
- New program - Support post-disaster recovery fund;
- New program - Development of market projects for SMEs in foreign trade (support SMEs in brand building);
- New program - Steady employment subsidy for 2017;
- New program - Technological transformation project (intelligent transformation) for 2018;

PUBLIC RECORD

- New program - Sci-tech 2017 innovation promotion fund;
- New program - Sci-tech 2017 innovation promotion fund (district level);
- Post-technical transformation award; and
- New program - Post-technical transformation award for 2018 (provincial level)

On the basis that the case management team finds these programs to be countervailable subsidies, the verification team has calculated a preliminary subsidy margin for Zhuhai Grand Kitchenware during the investigation period to be **2.4 per cent**.

Details of the preliminary subsidy margin calculation are at **Confidential Appendix 6**.

PUBLIC RECORD

13 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Appendix 4	Normal Value
Confidential Appendix 5	NOT PUBLISHED
Confidential Appendix 6	Subsidy Margin
Confidential Attachment 1	Verification work program