



Australian Government
Department of Industry, Science,
Energy and Resources

Anti-Dumping Commission

Exporter Verification Report

Verification & Case Details

Initiation Date	23/08/2019	ADN:	ADN No. 2019/100
Case:	Zinc coated (galvanised) steel – The People’s Republic of China		
Case Number	521		
Exporter	Jiangyin Zongcheng Steel Co., Ltd.		
Review Period	1/7/2018	to	30/6/2019

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 BACKGROUND	3
1.1 CORPORATE STRUCTURE AND OWNERSHIP	3
1.2 RELATED PARTIES	3
1.3 ACCOUNTING RECORDS.....	3
2 THE GOODS AND LIKE GOODS	4
2.1 PRODUCTION PROCESS	4
2.2 MODEL CONTROL CODES (MCCs)	4
2.3 VERIFICATION OF MCCS	4
2.4 THE GOODS EXPORTED TO AUSTRALIA	5
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....	5
2.6 LIKE GOODS – ASSESSMENT.....	6
3 VERIFICATION	7
3.1 BENCHMARK VERIFICATION	7
3.2 BENCHMARK VERIFICATION FINDING	7
4 EXPORT PRICE	8
4.1 EXPORT PRICE – PRELIMINARY ASSESSMENT	8
5 DOMESTIC SALES SUITABILITY	9
5.1 ARMS LENGTH.....	9
5.2 ORDINARY COURSE OF TRADE	9
5.3 SUITABILITY OF DOMESTIC SALES – PARTICULAR MARKET SITUATION	10
5.4 PROFIT	10
6 ADJUSTMENTS	11
6.1 RATIONALE AND METHOD	11
6.2 ADJUSTMENTS	11
7 NORMAL VALUE	13
7.1 COST OF PRODUCTION.....	13
7.2 SELLING, GENERAL AND ADMINISTRATIVE COSTS.....	14
7.3 PROFIT	14
8 DUMPING MARGIN	15
9 APPENDICES AND ATTACHMENTS	16

1 BACKGROUND

1.1 Corporate Structure and Ownership

Jiangyin Zongcheng Steel Co., Ltd. (Zongcheng) is a manufacturer of steel products in the People's Republic of China (China) owned by two shareholders.

The company's main business function is the production of galvanised and high anti-corrosive aluminium zinc alloy plate and coated plate.

Zongcheng has five production lines:

- pickling line;
- cold-rolled mill;
- galvanised line;
- galvalume line; and
- colour coated line.

1.2 Related Parties

Consistent with previous verifications, the verification team found that Zongcheng did not have any related party customers or suppliers of the goods during the review period.

1.3 Accounting records

Zongcheng's financial statement was audited.¹

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of China.

¹ The name of the auditor was provided in Zongcheng's REQ (confidential version).

2 THE GOODS AND LIKE GOODS

2.1 Production Process

During the review period, Zongcheng produced the goods for domestic and third country markets. Zongcheng has provided a production process flowchart regarding the production of zinc coated (galvanised) steel and also stated in its REQ that:

The production of galvanised steel is undertaken by passing hot-rolled coil through a cold-rolling process involving a series of rollers to generate the required thickness of steel. The steel then enters the coating line where a thin layer of zinc is applied to enhance the corrosion resistance of the final product.

2.2 Model Control Codes (MCCs)

Zongcheng provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in Consideration Report 521 & 522 and ADN 2019/100.

2.3 Verification of MCCs

Category	Determination of the sub-category
Alloy content	All sales were non-alloy.
Prime	The company was able to identify whether the sales is for prime from its internal sales and costing systems.
Steel base	The company was able to identify the steel base from its internal sales and costing systems. This was cross referenced to the sales contract.
Coating type	All sales were zinc coated. This was cross referenced to the sales contract.
Coating mass	The company was able to identify the coating mass from its internal sales and costing systems. This was cross referenced to the sales contract.
Steel grade	The company was able to identify which the steel grades from its internal sales and costing systems. This was cross referenced to the sales contract.
Base metal thickness	The company was able to identify the base metal thickness from its internal sales and costing systems. This was cross referenced to the sales contract.
Width	The company was able to identify the width from its internal sales and costing systems. This was cross referenced to the sales contract.
Form	The company was able to identify the form (sheet or coils) from its internal sales and costing systems. This was cross referenced to the sales contract.

Table 1 MCC sub-category determination

In the original investigation, previous continuation inquiry and the most recent review of measures, the Commission determined that a particular market situations exists in China in relation to the domestic sales of zinc coated (galvanise) steel. Further analysis of the market situation finding will be included in the Statement of Essential Facts (SEF) for Review no. 521. In the event that market situation finding exists for this review period, the verification team notes that constructing normal values under section 269TAC(2)(c) of the *Customs Act 1901* (the Act)² does not require matching domestic models to export models.

² References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

PUBLIC RECORD

2.4 The goods exported to Australia

The verification team has examined the information provided by Zongcheng in their response to the exporter questionnaire (REQ) and relevant Australian Border Force (ABF) data and is satisfied that based on the information available, Zongcheng did not export the goods to Australia during the review period.

2.5 Like goods sold on the domestic market

The verification team were satisfied that Zongcheng 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 under consideration, as they:

- are produced in the same way, subject to individual customer specifications, and the costs of production for models sold are the same regardless being sold in the domestic market or being exported;
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- the goods compete in the same market sector; and
- can be considered functionally alike, as they have similar end uses.

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

Domestic like goods MCC			
NA-P-C-Z-1-A-2-B-C	NA-P-C-Z-2-A-4-B-C	NA-P-C-Z-3-B-5-B-C	NA-P-C-Z-5-C-6-B-C
NA-P-C-Z-1-A-3-B-C	NA-P-C-Z-2-A-5-B-C	NA-P-C-Z-3-B-5-C-C	NA-P-C-Z-5-C-6-C-C
NA-P-C-Z-1-A-3-C-C	NA-P-C-Z-2-A-5-C-C	NA-P-C-Z-3-B-6-B-C	NA-P-C-Z-5-C-7-B-C
NA-P-C-Z-1-A-7-C-C	NA-P-C-Z-2-A-7-B-C	NA-P-C-Z-3-B-6-C-C	NA-P-C-Z-5-C-7-C-C
NA-P-C-Z-1-B-1-B-C	NA-P-C-Z-2-A-7-C-C	NA-P-C-Z-3-B-7-B-C	NA-P-C-Z-5-D-5-C-C
NA-P-C-Z-1-B-2-B-C	NA-P-C-Z-2-B-2-B-C	NA-P-C-Z-3-B-7-C-C	NA-P-C-Z-5-D-6-B-C
NA-P-C-Z-1-B-3-B-C	NA-P-C-Z-2-B-3-B-C	NA-P-C-Z-3-B-8-B-C	NA-P-C-Z-5-D-6-C-C
NA-P-C-Z-1-B-3-C-C	NA-P-C-Z-2-B-3-C-C	NA-P-C-Z-3-B-8-C-C	NA-P-C-Z-5-D-7-B-C
NA-P-C-Z-1-B-4-B-C	NA-P-C-Z-2-B-4-B-C	NA-P-C-Z-3-C-4-B-C	NA-P-C-Z-5-D-7-C-C
NA-P-C-Z-1-B-4-C-C	NA-P-C-Z-2-B-4-C-C	NA-P-C-Z-3-C-4-C-C	NA-P-C-Z-5-D-8-B-C
NA-P-C-Z-1-B-5-B-C	NA-P-C-Z-2-B-5-B-C	NA-P-C-Z-3-C-5-B-C	NA-P-C-Z-5-E-5-B-C
NA-P-C-Z-1-B-5-C-C	NA-P-C-Z-2-B-6-B-C	NA-P-C-Z-3-C-5-C-C	NA-P-C-Z-5-E-6-B-C
NA-P-C-Z-1-B-6-B-C	NA-P-C-Z-2-B-6-C-C	NA-P-C-Z-3-C-6-B-C	NA-P-C-Z-5-E-6-C-C
NA-P-C-Z-1-B-6-C-C	NA-P-C-Z-2-B-7-B-C	NA-P-C-Z-3-C-6-C-C	NA-P-C-Z-5-E-7-B-C
NA-P-C-Z-1-B-7-B-C	NA-P-C-Z-2-B-7-C-C	NA-P-C-Z-3-C-7-B-C	NA-P-H-Z-1-A-8-B-C
NA-P-C-Z-1-B-7-C-C	NA-P-C-Z-2-C-3-B-C	NA-P-C-Z-3-C-7-C-C	NA-P-H-Z-1-B-8-B-C
NA-P-C-Z-1-B-8-B-C	NA-P-C-Z-2-C-4-B-C	NA-P-C-Z-3-C-8-B-C	NA-P-H-Z-1-B-8-C-C
NA-P-C-Z-1-B-8-C-C	NA-P-C-Z-2-C-4-C-C	NA-P-C-Z-3-C-8-C-C	NA-P-H-Z-1-C-8-B-C
NA-P-C-Z-1-C-2-B-C	NA-P-C-Z-2-C-5-B-C	NA-P-C-Z-3-D-4-B-C	NA-P-H-Z-1-C-8-C-C
NA-P-C-Z-1-C-3-B-C	NA-P-C-Z-2-C-5-C-C	NA-P-C-Z-3-D-4-C-C	NA-P-H-Z-1-D-8-B-C
NA-P-C-Z-1-C-4-B-C	NA-P-C-Z-2-C-6-B-C	NA-P-C-Z-3-D-5-B-C	NA-P-H-Z-1-D-8-C-C
NA-P-C-Z-1-C-5-B-C	NA-P-C-Z-2-C-6-C-C	NA-P-C-Z-3-D-5-C-C	NA-P-H-Z-1-E-8-B-C
NA-P-C-Z-1-C-5-C-C	NA-P-C-Z-2-C-7-B-C	NA-P-C-Z-3-D-6-B-C	NA-P-H-Z-2-B-8-B-C
NA-P-C-Z-1-C-6-B-C	NA-P-C-Z-2-C-7-C-C	NA-P-C-Z-3-D-6-C-C	NA-P-H-Z-2-B-8-C-C
NA-P-C-Z-1-C-7-B-C	NA-P-C-Z-2-C-8-B-C	NA-P-C-Z-3-D-7-B-C	NA-P-H-Z-2-C-7-B-C
NA-P-C-Z-1-C-8-C-C	NA-P-C-Z-2-D-4-B-C	NA-P-C-Z-3-D-7-C-C	NA-P-H-Z-2-C-8-B-C
NA-P-C-Z-1-D-4-B-C	NA-P-C-Z-2-D-4-C-C	NA-P-C-Z-3-D-8-B-C	NA-P-H-Z-2-C-8-C-C
NA-P-C-Z-1-D-4-C-C	NA-P-C-Z-2-D-5-B-C	NA-P-C-Z-3-E-5-B-C	NA-P-H-Z-2-D-7-B-C

PUBLIC RECORD

NA-P-C-Z-1-D-5-B-C	NA-P-C-Z-2-D-5-C-C	NA-P-C-Z-3-E-5-C-C	NA-P-H-Z-2-D-7-C-C
NA-P-C-Z-1-D-5-C-C	NA-P-C-Z-2-D-6-B-C	NA-P-C-Z-3-E-6-B-C	NA-P-H-Z-2-D-8-B-C
NA-P-C-Z-1-D-6-B-C	NA-P-C-Z-2-D-6-C-C	NA-P-C-Z-3-E-6-C-C	NA-P-H-Z-2-D-8-C-C
NA-P-C-Z-1-D-6-C-C	NA-P-C-Z-2-D-7-B-C	NA-P-C-Z-3-E-7-B-C	NA-P-H-Z-3-B-8-B-C
NA-P-C-Z-1-D-7-B-C	NA-P-C-Z-2-D-7-C-C	NA-P-C-Z-3-E-7-C-C	NA-P-H-Z-3-B-8-C-C
NA-P-C-Z-1-E-5-B-C	NA-P-C-Z-2-D-8-B-C	NA-P-C-Z-3-E-8-B-C	NA-P-H-Z-3-C-7-B-C
NA-P-C-Z-1-E-5-C-C	NA-P-C-Z-2-E-4-B-C	NA-P-C-Z-3-E-8-C-C	NA-P-H-Z-3-C-7-C-C
NA-P-C-Z-1-E-6-B-C	NA-P-C-Z-2-E-6-B-C	NA-P-C-Z-3-F-4-B-C	NA-P-H-Z-3-C-8-B-C
NA-P-C-Z-1-E-6-C-C	NA-P-C-Z-2-E-6-C-C	NA-P-C-Z-3-F-4-C-C	NA-P-H-Z-3-C-8-C-C
NA-P-C-Z-1-E-7-B-C	NA-P-C-Z-2-E-7-B-C	NA-P-C-Z-3-F-5-B-C	NA-P-H-Z-3-D-7-B-C
NA-P-C-Z-1-E-7-C-C	NA-P-C-Z-2-E-7-C-C	NA-P-C-Z-3-F-5-C-C	NA-P-H-Z-3-D-7-C-C
NA-P-C-Z-1-E-8-B-C	NA-P-C-Z-2-E-8-B-C	NA-P-C-Z-3-F-6-B-C	NA-P-H-Z-3-D-8-B-C
NA-P-C-Z-1-E-8-C-C	NA-P-C-Z-2-E-8-C-C	NA-P-C-Z-4-C-6-B-C	NA-P-H-Z-3-D-8-C-C
NA-P-C-Z-1-F-2-B-C	NA-P-C-Z-2-F-4-B-C	NA-P-C-Z-4-C-7-B-C	NA-P-H-Z-4-C-8-B-C
NA-P-C-Z-1-F-2-C-C	NA-P-C-Z-2-F-5-B-C	NA-P-C-Z-4-D-7-C-C	NA-P-H-Z-4-D-8-B-C
NA-P-C-Z-1-F-3-B-C	NA-P-C-Z-2-F-6-B-C	NA-P-C-Z-4-E-6-B-C	NA-P-H-Z-4-D-8-C-C
NA-P-C-Z-1-F-4-B-C	NA-P-C-Z-3-A-5-C-C	NA-P-C-Z-4-E-6-C-C	NA-P-H-Z-5-C-8-B-C
NA-P-C-Z-1-F-4-C-C	NA-P-C-Z-3-A-6-C-C	NA-P-C-Z-4-E-7-B-C	NA-P-H-Z-5-D-8-C-C
NA-P-C-Z-1-F-5-B-C	NA-P-C-Z-3-A-8-B-C	NA-P-C-Z-4-E-7-C-C	
NA-P-C-Z-2-A-2-B-C	NA-P-C-Z-3-B-4-B-C	NA-P-C-Z-4-E-8-B-C	
NA-P-C-Z-2-A-3-B-C	NA-P-C-Z-3-B-4-C-C	NA-P-C-Z-4-E-8-C-C	

Table 2 Domestic models

2.6 Like goods – assessment

The verification team considers that the goods produced by Zongcheng for domestic sale have characteristics closely resembling those of the goods under consideration and are therefore ‘like goods’ in accordance with section 269T(1) of the Act.

3 VERIFICATION

3.1 Benchmark verification

The verification team verified the reliability of Zongcheng's domestic sales and cost data provided in the REQ by benchmarking the data against other verified data.

This involved comparing the data to the following exporters:

- Shandong Guanzhou Dingxin Plate Technology Co Ltd (and its trading arm Guanxian Lianhao Metal Material Co Ltd) - subject to a full onsite verification visit concerning galvanised steel;³ and
- Zongcheng's own data concerning a similar product (aluminium zinc coated steel) – subject to a desktop verification for the same review period.⁴

The verification team also compared the data to Zongcheng's own data concerning galvanised steel from a previous case that was subject to a verification (Continuation inquiry no. 450 and Review no. 456).

The verification team also verified the reliability of the domestic sales listings submitted in the REQ by reconciling to the source documentation provided as part of Zongcheng's REQ.

Where the examination of the data in Zongcheng's REQ produced results that were inconsistent with those observed in relation to the verified exporter's data or other relevant information, the verification team has then escalated the level of verification for those targeted areas.

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

3.2 Benchmark verification finding

The verification team is satisfied that the domestic sales and cost data provided by Zongcheng are reasonable and can be considered reliable for the purpose of ascertaining variable factors for Zongcheng.

Zongcheng's cost data is available at **Confidential Appendix 2**.

³ EPR 521 Document #19 www.adcommission.gov.au

⁴ EPR 522 Document #14 www.adcommission.gov.au

4 EXPORT PRICE

4.1 Export Price – preliminary assessment

Zongcheng did not export zinc coated (galvanised) steel to Australia during the review period. As such, the verification team considers that there is insufficient information to ascertain the export price of the goods under section 269TAB(1) due to an absence in volume of exports during the review period.

The verification team has completed an analysis of Zongcheng's export volumes provided at **Confidential Attachment 2**. The verification team found Zongcheng did not export the goods to Australia during this review period. Zongcheng did, however, export zinc coated (galvanised) steel to Australia during the previous review period, which was used in the calculation of a dumping margin for Review no. 457.

Subject to further enquiries by the case management team, the verification team considers ascertaining Zongcheng's export price under section 269TAB(2B)(a) having regard to its previous export price established in accordance with section 269TAB(1) is the most appropriate methodology.

Section 269TAB(2G) allows the Minister to make adjustments to the export price ascertained under section 269TAB(2B) to reflect what the export price would have been had there not been an absence of exports by Zongcheng. Such adjustments may include:

- adjustments due to exports relating to earlier times (timing adjustment);⁵ and
- adjustments due to exports relating to not identical goods (specification adjustment).⁶

The verification team notes that global steel prices have moved since the last review period (i.e. 1 October 2016 to 30 September 2017) and hot rolled coil (HRC) is the primary cost input to the production of like goods. Subject to further enquiries by the case management team, the verification team therefore considers that a timing adjustment is required to reflect what Zongcheng's export price would have been during the review period of 1 July 2018 to 30 June 2019. The verification team has used published steel pricing data from Platts, specifically the weighted average price of HRC for China for the period in review of measures no. 457 compared to the average price of the same index for the current review period.

The verification team notes the ascertained export price for Zongcheng has changed. Details of the export price timing adjustment is **Confidential Attachment 2**.

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

⁵ Subsection 269TAB(2G)(a)

⁶ Subsection 269TAB(2G)(b)

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 section 269TAC(1).

5.1 Arms length

In respect of Zongcheng'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 exporter to its unrelated domestic customers during the period were arms length transactions.

5.2 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
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the review period.

Table 3 OCOT details

5.3 Suitability of domestic sales – particular market situation

Section 269TAC(2)(a)(ii) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price.

The market situation finding in the original investigation (Investigation 190), previous continuation inquiry (Continuation inquiry no. 449) and the most recent review of measures (Review 457) in relation to zinc coated (galvanised) steel exported to Australia from China, rendered domestic prices of those goods unsuitable in determining a normal value under section 269TAC(1). Further analysis of the market situation finding will be included in the statement of essential facts for review of measures no. 521. In the event that a market situation is found, then such sales in that market will not be suitable for use in determining a normal value and therefore the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1). Accordingly, the normal value has preliminarily been ascertained under section 269TAC(2)(c).

5.4 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be worked out under Regulation 45 of the Customs (International Obligations) Regulation 2015 (the Regulation).

The verification team has calculated an amount of profit based on the profit achieved on domestic sales of like goods in the OCOT in accordance with section 45(2) of the Regulation.

The verification team's preliminary calculation of domestic profit is at **Confidential Appendix 3**.

6 ADJUSTMENTS

Adjustments were made where a particular MCC has no cost to make value for a particular quarter in the review period.

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(9).

While Zongcheng has not exported the goods under consideration to Australia during the review period, these adjustments are considered appropriate to establish a normal value, as if those goods were exported to Australia in the review period.

6.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic packaging	Different packaging and protection varied between export and domestic sales.	Weighted average cost based the total actual cost incurred and the actual sales quantities listed in the domestic sales listing.	Yes	Yes
Export packaging, inland transport, port handling charges and other costs	An upwards adjustment was made to account for the difference between goods if exported to Australia at FOB terms and Zongcheng's domestic sales at EXW.	Weighted average cost based the actual cost incurred by Zongcheng and the actual sales quantities listed in the export sales listing for a similar product, aluminium zinc coated steel, during the same review period which was subject to a desktop verification.	No	Yes
Non-refundable VAT	An upwards adjustment was made to account for the difference in the amount of residual VAT that would apply to export sales of zinc coated (galvanised) steel.	Based on the percentage of total of non-refundable export VAT over total export COGS for a similar product, aluminium zinc coated steel, incurred by Zongcheng during the same review period which was subject to a desktop verification.	No	Yes

Table 4 Assessment of adjustments

6.2 Adjustments

The verification team considers the following adjustments under section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic packaging	Deduct an amount for domestic packaging
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport

PUBLIC RECORD

Export port handling charges	Add an amount for port charges
Export other costs	Add an amount for other costs
Non-refundable VAT	Add an amount for non-refundable VAT

Table 5 Summary of adjustments

7 NORMAL VALUE

The market situation finding in the original investigation, previous continuation inquiry and most recent review of measures in relation to zinc coated (galvanised) steel exported to Australia from China, rendered domestic prices of those goods to be unsuitable in determining a normal value under section 269TAC(1). The verification team has not determined whether there is a particular market situation and further analysis of the market situation finding will be included in the SEF for Review no. 521.

In the event that a market situation is found, normal values can be constructed under section 269TAC(2)(c) and as required by sections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation using:

- the cost to make that reasonably reflect competitive market costs; plus
- SG&A on the assumption that the goods, instead of being exported, were sold for home consumption in the OCOT in the country of export based on the company's records in accordance with section 44(2) of the Regulation; and
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

7.1 Cost of Production

As required by section 269TAC(5A)(a), in ascertaining the normal value of the goods under section 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).

Section 43 of the Regulation provides that the cost of production must be worked out by using the information set out in Zongcheng'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 Zongcheng's records are in accordance with GAAP in China.

The verification team performed a comparative analysis of Zongcheng's actual purchases of the key raw material input, being HRC steel, with that of HRC bought competitively from the international market.⁷ In the Commission's experience, HRC accounts for in excess of 80 per cent of the CTM of zinc coated (galvanised) steel, and a similar approach was taken in the original investigation of REP 190 and subsequently in the Review No. 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 Zongcheng's recorded costs of HRC therefore do not reflect competitive market costs.

The verification team has therefore adjusted Zongcheng'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 review period for zinc coated (galvanised) steel. This data covers all four quarters of the review period.

The weighted average benchmark prices used for the purpose of this review are at **Confidential Attachment 3**.

⁷ Based on the SBB HRC Price index.

7.2 Selling, general and administrative costs

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

Zongcheng provided information on SG&A costs associated with its domestic sales of zinc coated (galvanised) steel. Consistent with the requirements of section 44(2) of the Regulation, the verification team is satisfied that Zongcheng'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 Zongcheng's SG&A information to construct Zongcheng's normal value.

7.3 Profit

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

Section 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 zinc coated (galvanised) 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 Appendix 4**).

The verification team recommends that in the event that the case management team finds a particular market situation then constructs the normal values under section 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in section 6 above.

8 DUMPING MARGIN

The dumping margin was assessed by comparing weighted average (adjusted) Australian export prices to the corresponding quarterly weighted average normal value for the review period under section 269TACB(2)(a).

Subject to further enquiries by the case management team, Zongcheng's preliminary dumping margin for the goods under consideration for the period is **3.6 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export sales
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin
Confidential Attachment 1	Verification work program
Confidential Attachment 2	Export price consideration
Confidential Attachment 3	Replacement costs benchmark