



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:	Aluminium zinc coated steel – The People’s Republic of China		
Case Number	522		
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

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1 BACKGROUND

1.1 Corporate Structure and Ownership

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

The company's main business functions are 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

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

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 response to the exporter questionnaire (confidential version).

2 THE GOODS AND LIKE GOODS

2.1 Production Process

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

The production of aluminium zinc coated 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 REQ 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
Prime	The company was able to identify whether the sales is for prime from its internal sales and costing systems.
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 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 aluminium zinc coated steel. Further analysis of the market situation finding will be included in the Statement of Essential Facts (SEF) for this Review. In the event that a market situation finding is made 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.

2.4 The goods exported to Australia

The verification team were satisfied that Zongcheng produced and exported the goods to Australia. During the review period, Zongcheng only exported one type of the goods to

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

PUBLIC RECORD

Australia (MCC: P-2-F-5-2-C). It is noted that as the goods were exported by Zongcheng before 18 July 2018, interim dumping duty was not applicable to this particular shipment.³

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 exported to Australia, as they:

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

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

Domestic like goods MCC			
N-1-A-1-2-C	N-2-A-1-2-C	N-2-F-1-2-C	P-2-B-3-2-C
N-1-A-2-2-C	N-2-A-2-2-C	N-2-F-2-2-C	P-2-B-4-2-C
N-1-A-3-2-C	N-2-A-3-2-C	N-2-F-3-2-C	P-2-C-1-2-C
N-1-A-4-2-C	N-2-B-1-2-C	N-2-F-4-1-C	P-2-C-2-2-C
N-1-A-5-2-C	N-2-B-2-2-C	N-2-F-4-2-C	P-2-C-3-2-C
N-1-B-1-2-C	N-2-B-3-2-C	N-2-F-5-1-C	P-2-C-5-2-C
N-1-B-2-2-C	N-2-B-4-2-C	N-2-F-5-2-C	P-2-D-3-2-C
N-1-B-3-2-C	N-2-B-5-2-C	N-3-C-3-2-C	P-2-D-4-2-C
N-1-C-1-2-C	N-2-C-1-2-C	N-3-D-3-2-C	P-2-D-5-2-C
N-1-C-2-2-C	N-2-C-2-2-C	N-3-D-4-2-C	P-2-F-1-2-C
N-1-D-1-2-C	N-2-C-3-2-C	N-3-D-5-2-C	P-2-F-2-2-C
N-1-D-3-2-C	N-2-C-4-2-C	N-3-F-3-2-C	P-2-F-4-2-C
N-1-D-4-2-C	N-2-C-5-2-C	N-3-F-4-2-C	P-2-F-5-2-C
N-1-F-1-2-C	N-2-D-1-2-C	P-1-B-1-2-C	P-3-B-4-2-C
N-1-F-2-2-C	N-2-D-2-2-C	P-1-C-1-2-C	P-3-D-5-2-C
N-1-F-3-2-C	N-2-D-3-2-C	P-1-C-2-2-C	P-3-F-4-2-C
N-1-F-4-2-C	N-2-D-4-2-C	P-1-F-1-2-C	
N-1-F-5-2-C	N-2-D-5-2-C	P-1-F-5-2-C	

Table 2 Domestic Like Goods Models

³ Whilst the current review period is 1 July 2018 to 30 June 2019, it is noted that as the result of the findings in REP 456 and 457, the interim dumping duty imposed on Zongcheng for the exports of aluminium zinc coated steel was changed from zero per cent to 9.5 per cent, with effect from 18 July 2018.

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 exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements and other data source in accordance with ADN. No 2016/30.⁴

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

- Total revenue earned during the review period was traced to the 2018 financial statements and management reports (January 2018 to June 2019), after adjusting for the difference between the review and accounting period.
- The revenue for each product type sold was categorised (i.e. aluminium zinc coated steel, hot rolled coil, galvanised steel, etc). The total revenue by product during the review period was verified to records from Zongcheng's accounting system and reconciled to the total revenue verified in the previous step.
- Aluminium zinc coated steel sales were categorised by Australian, domestic and third country markets. The revenue for aluminium zinc coated steel was reconciled to the Australian, domestic and third countries sales listings for the review period.

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**.

The verification team is therefore satisfied that the sales data provided by Zongcheng is complete and relevant.

⁴ English translation of the 2018 audited financial statements was submitted by Zongcheng, however English translation of the auditor's opinion was not included.

4 VERIFICATION OF SALES ACCURACY

The verification team verified the accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to source documents provided by Zongcheng, 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**.

4.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution	Evidence Relied On
1	The unit packing cost (export to Australia) was calculated using the total production volume of galvanised steel (not the goods) and aluminium zinc coated steel (the goods).	The company acknowledged an error in its formula and packing cost should be based on the total production volume of the goods itself. The verification team amended the Australian sales listing.	Packing calculations and production volume report.
2	The MCC in the production list did not reconcile to those in the sales listing (i.e. the verification team identified seven MCCs that the company did not produce but were sold during the review).	Zongcheng indicated seven MCCs were incorrectly classified and a revised domestic sales listing was submitted.	Production report and sales listing.

Table 3 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

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

5 VERIFICATION OF COST TO MAKE AND SELL

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. 2016/30.⁵

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

- Total costs incurred during the review period was traced to the 2018 financial statements and management reports (January 2018 to June 2019), after adjusting for the difference between the review and accounting period.
- The cost to make for each product type sold was categorised (i.e. aluminium zinc coated steel, galvanised steel, other, etc). Zongcheng has provided records from its accounting system to support these costs of production.
- Aluminium zinc coated steel costs to make were categorised by Australian, domestic and third country markets which reconciled with the CTMS listing for Australian and domestic market provided by Zongcheng.

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

- Total SG&A costs incurred during the review period was traced to the 2018 financial statements and management reports (January 2018 to June 2019), after adjusting for the difference between the review and accounting period.
- Confirmed expenses that were direct expenses related to sales have been excluded.
- Verified the calculation of SG&A as a percentage of total revenue.

The verification team identified one issue in relation to the SG&A calculation as outlined below. 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	Evidence Relied On
3	The total financial expenses in the SG&A calculation did not reconcile to the aggregated financial expenses from the 2018 financial statements and monthly management reports after adjusting for the difference between the review and accounting period.	The verification team recalculated the total financial expenses but found that it had an immaterial effect on the overall SG&A rate (variance of less than 0.004 per cent).	Trial balance, management report and 2018 financial statements.

Table 4 Exceptions during verification of completeness and relevance of CTMS data

⁵ English translation of the 2018 audited financial statements was submitted by Zongcheng, however English translation of the auditor's opinion was not included.

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 Zongcheng is complete and relevant.

5.3 Verification of CTMS 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. 2019/100.

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**.

Table 5 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs are allocated to the GUC based on production quantity, base metal thickness (BMT) and hot rolled steel thickness.
Other Materials (Zinc)	Other materials costs are allocated to the GUC based on production quantity, thickness and coating.
Manufacturing Overheads (including depreciation)	Manufacturing overheads was allocated to the GUC based on actual consumption as stated in the production system. Consumption was based on time allocated depending on BMT.
Labour	Labour was allocated to the GUC based on actual consumption as stated in the production system. Consumption was based on time allocated depending on BMT.

Table 5 Cost allocation method

5.4 Verification of Accuracy of CTMS data

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

The verification team 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**.

5.5 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Zongcheng is accurate.

6 EXPORT PRICE

6.1 The importer

The verification team considers Zongcheng's Australian customer to be the beneficial owner of the goods at the time of importation as the importer is:

- named on the commercial invoice as the customer;
- declared as the importer in the ABF's importation declaration database; and
- Zongcheng sold the goods to this importer on cost and freight (CFR) terms, being shipped directly to Australia.

In relation to the goods exported by Zongcheng to Australia, the verification team considers that the customer listed for the sole shipment was the beneficial owner of the goods at the time of importation, and therefore was the importer of the goods.

6.2 The exporter

Subject to further inquiries, the verification team considers Zongcheng to be the exporter of the goods⁶, as Zongcheng is:

- the manufacturer of the goods as it is named on the commercial invoice as the supplier;
- named as the shipper on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight.

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

6.3 Arms length

In respect of Zongcheng's Australian sales of the goods to its sole customer during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁷

⁶ 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 Section 269TAA of the Act refers.

PUBLIC RECORD

The verification team therefore considers that the export sales made by Zongcheng to its unrelated Australian customer during the period was an arms length transaction.

6.4 Export Price – preliminary assessment

The verification team considers that there may be insufficient information to ascertain the export price of the goods under section 269TAB(1) due to a low 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 exported a low volume of aluminium zinc coated steel to Australia during this review period. Zongcheng did, however, export aluminium zinc coated steel to Australia during the previous review period, which was used in the calculation of a dumping margin for Review no. 456.

Subject to further enquiries by the case management team, the verification team considers ascertaining Zongcheng's export price under 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)⁸
- adjustments due to exports relating to not identical goods (specification adjustment)⁹

The verification team notes that global steel prices have moved since the last review period time (i.e. 1 October 2016 to 30 September 2017). 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 hot rolled coil (HRC) for China for the period in review of measures no. 456 compared to the average price of the same index for the current review period.

The verification team notes the ascertained export price for Zongcheng's exports of the goods 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**.

⁸ Section 269TAB(2G)(a)

⁹ Section 269TAB(2G)(b)

7 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).

7.1 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.

7.2 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 6 OCOT details

7.3 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 there 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. 450) and the most recent review of measures (Review 456) in relation to aluminium zinc coated 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 alleged market situation will be included in the statement of essential facts for review of measures no. 522. 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).

7.4 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**.

8 ADJUSTMENTS

Adjustments were made where a particular MCC has no cost to make value for a particular quarter during 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).

Noting at section 6.4 that the verification team considers that there is insufficient information to ascertain the export price of the goods due to a low volume of exports during the review period, the verification team benchmarked Zongcheng's export adjustments for the review period to those calculated for Review no. 456 and Continuation inquiry no. 450. The verification team found the current export adjustments were consistent with those verified for Review no. 456 and Continuation inquiry no. 450. Accordingly, the below adjustments are considered appropriate to establish a normal value.

8.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic and export 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 and export sales listing.	Yes	Yes
Export inland transport	Inland transport expenses were incurred for all Australian sales.	Weighted average cost based the actual cost incurred and the actual sales quantities listed in the export sales listing.	Yes	Yes
Export port handling charges	Port handling charges were incurred for all Australian sales.	Weighted average cost based on the actual cost incurred and the actual sales quantities listed in the export sales listing.	Yes	Yes
Export other costs	Bank charges were incurred for all Australian sales.	Weighted average cost based on the actual cost incurred and the actual sales quantities listed in the export sales listing.	Yes	Yes
Non-refundable VAT	Non-refundable VAT were incurred for all export sales.	Based on the percentage of total of non-refundable export VAT over total export COGS of the goods under consideration.	Yes	Yes

Table 7 Assessment of adjustments

8.2 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.

PUBLIC RECORD

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

Table 8 Summary of adjustments

9 NORMAL VALUE

The market situation finding in the original investigation, previous continuation inquiry and most recent review of measures in relation to aluminium zinc coated 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. 522.

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.

9.1 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.¹⁰ In the Commission's experience, HRC accounts for in excess of 80 per cent of the cost to make aluminium zinc coated 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 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 Review no. 521 for similar goods, being 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**.

¹⁰ Based on the SBB HRC Prices index.

9.2 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 aluminium zinc coated 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.

9.3 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 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 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 chapter 8 above.

10 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 enquires by the case management team, the preliminary dumping margin for the goods exported to Australia by Zongcheng for the period is **24.6 per cent**.

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

11 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