



Exporter Verification Report

Verification & Case Details

Initiation Date	24/02/2020	ADN:	ADN 2020/018
Case Number	540		
The goods under consideration	Aluminium Extrusions (Mill Finish)		
Case type	Dumping Investigation		
Exporter	Superb Aluminium Industries SDN BHD		
Location	Malaysia		
Investigation Period	1/01/2019 to 31/12/2019		

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 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

The principal activities of Superb Aluminium Industries Sdn Bhd (Superb) are manufacturing, marketing and trading of aluminium extrusions (ALEX). The markets that Superb sells into includes Malaysia, Singapore, Australia and the United States.

Superb is not a publically listed company.

1.2 Related Parties

The verification team examined the relationships between Superb and its related parties.

Superb is a wholly-owned subsidiary of Vywin Together Sdn Bhd, an investment company. Superb Aluminium Marketing (Melaka) Sdn Bhd is a subsidiary of Superb, and handles the marketing of Superb's aluminium products and its related accessories:

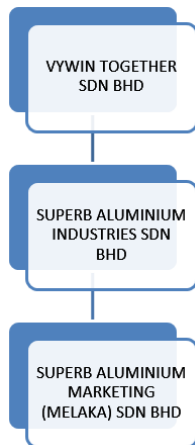


Figure 1 – Related parties

1.3 Accounting records

Superb's audited financial statement was audited by RSL PLT and includes a statement that the financial accounts comply with Malaysian Private Entities Reporting Standards and the requirements of the *Companies Act 2016* in Malaysia.

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

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Superb identified aluminium billets as the major raw material used in the manufacture of the goods:

Neither the company, nor its subsidiary, produces its own aluminium billets – these are purchased.

Superb provided flowcharts to verification team which outlined its production processes. These flowcharts are contained in the verification work program at **Confidential Attachment 1**.

2.2 Model Control Codes (MCCs)

Superb provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/019.

Superb provided all mandatory sales and cost data, and did not propose any changes to the MCC structure.

2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considered it was not necessary to make amendments to the MCC structure.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Finish	Each of these sub-categories were determined through Superb's product codes and comparing those codes to source documents, e.g. commercial invoices, provided by Superb for a selection of export and domestic sales subject to examination at Chapter 4.
Alloy code	
Temper code	

Table 1 MCC sub-category determination

2.4 The goods exported to Australia

The verification team was satisfied that Superb produced and exported the goods to Australia. Superb exported the goods to Australia with the following MCC during the period: M-6A-T1.

2.5 Like goods sold on the domestic market

The verification team was satisfied that Superb 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:

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

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

- M-6A-T1
- M-6C-T1
- M-O-T1

2.6 Like goods – assessment

The verification team considers that the goods produced by Superb 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 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 and other relevant financial information in accordance with ADN No. 2016/30.

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

- reconciling Superb's total company revenue in its audited income statement for the 2019 financial year ending July 31 to the relevant accounts in its accounting system for the same period;
- reconciling the sales revenue reported by Superb in its sales listing by having regard to profit and lost statements, summarised at monthly intervals, for the financial year ending 31 July 2019 and the accounting period ending 31 July 2020;
- verifying the investigation period sales volumes reported by Superb in its sales listings having regard to special purpose sales reports from Superb's accounting system and reconciling the volumes in this report to Superb's sales listings.

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**.

3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Superb 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 source documents in accordance with ADN No. 2016/30.

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

4.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	In relation to some of the exporter's Australian sales, shipping terms reported in the Australian sales listing were incorrect when compared to corresponding commercial invoices. ²	Shipping terms in the Australian sales listing amended as per relevant sales documents.
2	Following the revision of certain shipping terms, Superb's allocation of exportation costs required revision.	The allocation of exportation costs was revised in the Australian sales listing.
3	In relation to some of the exporter's domestic sales, shipping terms reported in the domestic sales listing were incorrect when compared to corresponding commercial invoices.	Shipping terms in the domestic sales listing amended as per relevant sales documents.
4	The verification team questioned the reasonableness of Superb's inclusion of a number of expenses that is classified as direct selling expenses in its domestic sales listing at the SG&A listing provided at G-4.1 of its questionnaire response.	Having regard to the accounting entry narratives, the expenses were considered indirect expenses and removed from the sales listing.

Table 2 Exceptions during verification of accuracy of sales data

² The verification examined documentation in relation to all of Superb's Australian exports during the investigation period.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Superb, 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 (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 were excluded or should be excluded.

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

- Superb's cost of sales in its audited 2019 Income Statement reconciled to its cost of goods sold (COGS) in its General Ledger for the same period.
- As the investigation period spans across two accounting periods, the verification team reconciled the General Ledger to the CTM spreadsheets in Superb's REQ by isolating COGS data in the General Ledger. For its accounting period ending 31 July 2019, Superb removed the COGS for August to December 2018 from the COGS for the whole period, then repeated this process for the period ending 30 June 2020, removing the COGS for January to June 2020. The COGS of the remaining period (i.e. the investigation period) reconciled to the total CTM reported in Superb's REQ.
- To verify the production volumes reported by Superb in its CTM data, the company generated a production report for the investigation period. The total production volume reconciled to the volumes reported in Superb's CTM data.

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

- Superb's SG&A expenses reported in its audited 2019 Income Statement reconciled to its trial balance for the same period. This gave the verification team confidence in the integrity of the trial balance generated for the investigation period which was the basis for Superb's SG&A calculations.

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
1	The verification team identified finance costs as having been excluded from the SG&A listing at G-4.1 of its questionnaire response.	Superb advised that in accordance with Malaysian Private Reporting Standards and the requirements of the Malaysian <i>Companies Act 2016</i> , finance costs were reported separately. Based on further information provided by Superb on each of these finance costs, the verification team was satisfied that these were SG&A expenses incurred in the general conduct of business and accordingly recognised as part of the indirect SG&A cost listing.
2	As outlined in section 4.1 of this report, the verification team reviewed the SG&A listing provided at G-4.1 of its questionnaire and questioned the reasonableness of Superb's exclusion of a number of expenses it classified as direct selling expenses.	The SG&A expenses listing at G-4.1 of the questionnaire was revised to reclassify the relevant expenses that had previously been classified as direct selling expenses.

Table 3 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 Superb, including any required amendments as outlined as an exception above, is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (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 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 4 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Each cost item was allocated based on production quantity. The verification team considered that production quantity most accurately reflects the consumption of raw materials. As labour and manufacturing overheads represent a much smaller portion of CTM, the verification team considered production quantity to also be an acceptable method of allocation.
Manufacturing Overheads	
Labour	

Table 4 Cost allocation method

6.2 Verification of Accuracy of CTMS data

The accuracy of the CTMS data was verified by comparing Superb's aluminium billet costs, being the primary manufacturing input, against benchmark billet prices for the region. The verification team found Superb's billet costs aligned closely with the benchmark prices for the region, and therefore considered the CTMS data to be accurate.

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.3 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Superb is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

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

7.2 The exporter

The verification team considers Superb to be the exporter of the goods³, as Superb is the principal located in Malaysia, the country of export, and knowingly placed the goods in the hands of a freight company for delivery to Australia. Furthermore:

- Superb is the manufacturer of the goods;
- Superb is named as the seller on the invoice;
- Superb is named as the shipper on the bill of lading;
- Superb arranges transportation of the goods to the port of export to Australia; and
- Superb knows the goods are destined for Australia.

The verification team is satisfied that for all Australian export sales during the period that Superb was the exporter of the goods.

7.3 Arms length

In respect of Superb's Australian sales of the 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 appeared to be 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.⁴

The verification team therefore considers that all export sales made by Superb to its unrelated Australian customers during the period were arms length transactions.

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.

⁴ Section 269TAA refers.

7.4 Export Price – assessment

In respect of Australian sales of the goods by Superb, the verification team recommends that the export price be determined under section 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

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

8.1 Arms length

8.1.1 Related party customers

In respect of Superb's domestic sales of like goods to its related 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 appeared to be 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.⁵

The verification team therefore considers that all domestic sales made by Superb to its related customer during the period were arms length transactions.

In reaching this conclusion, the verification team compared the weighted average selling price of each MCC to related and non-related entities. It found that Superb's selling price to its subsidiary were similar to its selling price to non-related entities.

8.1.2 Unrelated customers

In respect of Superb'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 appeared to be 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 Superb to its unrelated domestic customers during the period were arm's length transactions.

⁵ Section 269TAA of the Act refers.

8.2 Ordinary course of trade

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are:

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁶

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 per cent) 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 period.

Table 5 OCOT details

8.3 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. An exporter's domestic sales of like goods are taken to be in a low volume under section 269TAC(14) where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than five per cent of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was five per cent or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each

⁶ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

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exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

This analysis is detailed in the table below.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
M-6A-T1	Y	N/A

Table 6 Domestic volumes

The verification team's volume analysis is at **Confidential Appendix 3**.

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 credit terms	Superb offered a range of differing credit terms for its domestic customers but did not offer credit terms to its Australian customers.	A single credit adjustment rate was determined based on the interest rates of Superb's short term borrowings facilities.	Y	Y
Domestic packaging	There is a difference in packing costs for domestically sold and exported goods.	Weighted average unit value based on the total packaging costs and invoice quantity.	Y	Y
Domestic inland transport	There is a difference in inland transport costs for domestically sold and exported goods.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Y	Y
Export packaging	Superb incurred packing expenses, inclusive of expenses for use of stillages, for all Australian sales.	Weighted average unit value based on the total packaging costs and invoice quantity.	Y	Y
Export inland transport	Superb incurred inland transport expenses for the majority of its Australian sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Y	Y

Table 7 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
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging

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Domestic inland transport	Deduct an amount for domestic inland transport
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport

Table 8 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 sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. The verification team is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The verification team has determined a preliminary 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 that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect comparison of domestic prices with export prices, as outlined in chapter 0 above.

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

11 DUMPING MARGIN

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

The dumping margin for the goods exported to Australia by Superb for the period is **0.2 per cent**.

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

12 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	Dumping Margin
Confidential Attachment 1	Verification work program