



Importer 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		
Importer	Press Metal Aluminium (Australia) Pty Ltd		
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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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record in relation to Investigation No. 540.

As outlined in Anti-Dumping Notice (ADN) No. 2020/18, Investigation 540 is in relation to certain exporters of mill finish aluminium extrusions (the goods) from Malaysia, including Press Metal Sdn Bhd (PMB). Press Metal Aluminium (Australia) Pty Ltd (PMAA) was identified as an importer of the goods from PMB during the investigation period.

This report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR 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.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

PMAA is a privately held Australian registered company engaged in the importation and sale of aluminium extrusions and other complimentary products.

As at the commencement of the investigation period on 1 January 2019, PMAA was a wholly owned subsidiary of Malaysian company PMIM Extrusion Sdn Bhd (PMIM).² PMAA and PMIM are both ultimately owned by Press Metal Aluminium Holdings Berhad (PMAH). PMAH is the public holding company for the Press Metal group of companies and listed on the Bursa Malaysia (stock exchange).

In a subsequent October 2019 restructure relating to parts of the PMAH organisation, PMAA became a direct subsidiary of Press Metal International (HK) PMIHK.³

1.2 Related parties

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

1.2.1 Related suppliers

PMB supplied the goods to PMAA during the investigation period. PMB is related to PMAA through common ownership by PMAH.

However, as outlined in the PMAH 2019 Annual Report, Directors' Report at part [v] to the section on Significant and Subsequent Events⁴, the following events, summarised below, are highlighted;

- In August 2019, PMAH incorporated a new wholly-owned subsidiary, PMB (Klang) Sdn. Bhd. (PMBK);
- PMBK is principally engaged in the manufacturing and trading of aluminium products;
- In November 2019, PMAH transferred its entire equity interest in PMBK to related entity Press Metal International (HK) Ltd. (PMIHK); and
- The extrusion business of PMB (inclusive of all manufacturing assets) was transferred to PMBK in November 2019 (effective 22 November 2019).

As a result of the restructure, PMAA and PMBK both became direct wholly owned subsidiaries of PMIHK. Since being incorporated, PMBK has also changed its name to PMB Aluminium Sdn. Bhd (PMBA).

² PMAH FY2018 Annual Report Note 7, p.152.

³ PMAH FY2019 Annual Report Note 8, p.169.

⁴ PMAH FY2019 Annual Report, p.112.

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Notwithstanding the events outlined above, PMB continues to be a going concern which undertakes certain business functions within the PMAH group. One of these functions includes being a party to the sale of the goods to Australia which are produced and sold by PMBA.

2 THE GOODS

2.1 The goods

PMAA confirmed that it imported the goods from Malaysia during the investigation period matching the description of the goods that are the subject of this investigation.

2.2 Model control codes (MCCs)

PMAA did not propose any changes to the MCC structure outlined in ADN No. 2020/018, which requested mandatory MCC information for finish type and alloy code and optional MCC information for temper code.

PMAA provided MCC information for finish type, however its Australian sales data was incomplete in relation to the mandatory MCC category for alloy. Having regard to the sales data reported by PMB in its exporter questionnaire, the verification team found that the alloy of the goods was predominately of the 6A sub-category in the MCC category for alloy. This being the case, no further action was considered necessary in relation to reporting of alloy. PMAA did not report the temper code either however as this MCC category was optional, further information was not requested.

Further to the above, whilst PMAA did not seek any alterations to the proposed MCC structure, as a result of the verification of PMB's exporter questionnaire, the revised MCC structure applicable to PMB is outlined below.

Category	Sub-category		Sales data	Cost data
Finish	M	Mill	Mandatory	Mandatory
Alloy code	6A	6005, 6060, 6063	Mandatory	Optional
	6B	6061		
	6C	6082		
	6D	6463		
	O	Other		
Temper code	T1	T1, T4, T5, T6	Optional	Optional
	O	Other		

Table 1 – Revised MCC Structure for PMB

2.3 Verification of MCCs

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Finish	The finish is captured in PMAA's accounting system, and commercial documents such as commercial invoices and delivery dockets.
Alloy code	PMAA's sales listing did not report alloy however it was contained in the related delivery documents for the sales selected for downwards verification.

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Category	Determination of the sub-category
Finish	The finish is captured in PMAA's accounting system, and commercial documents such as commercial invoices and delivery dockets.
Temper	PMAA's sales listing did not report temper however it was contained in the related delivery documents for the sales selected for downwards verification.

Table 2 MCC sub-category determination

2.4 The goods imported and sold in Australia

Although PMAA's sales listing did not contain all of the details regarding mandatory MCC category, based on what it did provide and the available information about PMB's exports, the relevant MCCs it imported were M-6A.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

3.1 Background

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 sales listing provided in Part C of the questionnaire response by reconciling this 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:

- Comparing the amounts reported by PMAA in its Australian sales listing to its 2019 audited accounts and trial balance data;
- Having regard to product descriptions shown on commercial invoices and delivery dockets;
- Identifying where reported sales involved the importation of goods into Australia;
- Relying on the supplier reported in relation to goods sold.

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**.

3.1.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	For sales to certain customers the final destination of the goods purchased by PMAA from PMB was not Australia. PMAA appeared to be an intermediary in the sales of the goods by PMB to customers in other countries.	Having regard to the customer details on commercial invoices and in PMAA's sales data, transactions relevant to certain customers have been excluded on the basis that these sales were likely not entered for home consumption into the economy of Australia or were exported out of Australia immediately after sale to PMAA's customer.

Table 3 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 PMAA, including any required amendments as outlined in the exception table above, is complete and relevant.

4 DOWNWARDS VERIFICATION OF SALES

4.1 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 sales listing submitted in Part C of the questionnaire response by reconciling these to audited financial statements 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**.

4.1.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	PMAA did not report sales revenue ex-GST.	PMAA's sales listing was updated to reflect ex-GST sales revenue.
2	PMAA reported that it did not provide rebates or discounts in relation to its Australian sales.	Counter to its written responses, PMAA's Australian sales data reported amounts relating to rebates and discounts. The net invoice value of sales was calculated having regard to the amounts reported in relation to rebates and discounts.

Table 4 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by importer, 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 IMPORTS

5.1 Import listing

PMAA confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

However, the verification team was unable to calculate the weighted average FOB export price by supplier from the ABF import database as the tariff classification covers a range of products, i.e. declaration report the combined value for both mill finish and surface finished goods⁵, and there was insufficient information to distinguish the goods subject to this investigation using ABF data alone.

Notwithstanding the above finding, the verification team has provided a list of PMAA's imports of the goods at **Confidential Appendix 1**.

5.2 Verification of cost to import and sell (CTIS)

Prior to the verification, the Commission selected twelve shipments for PMAA to complete the cost to import and sell (CTIS) spreadsheet provided at Part B of the importer questionnaire.

For each of the selected shipments, PMAA provided the following source documents:

- ABF import declaration;
- commercial invoice from its supplier;
- bill of lading;
- country of origin logistics company commercial invoice;
- Australian logistics company commercial invoices.

For a sample of shipments, PMAA provided evidence of proof of payment that included the following;

- PMAA creditor listing;
- PMB's accounts receivable listing;
- Bank statements.

5.3 CTIS allocation method

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

Cost Area	Method applied
Ocean freight	Based on the actual ocean freight cost, invoiced by country of export freight forwarder allocated to goods based on weight.
Marine insurance	Based on the actual marine insurance cost, allocated to goods based on weight.

⁵ Relevant to Investigation No.541

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Cost Area	Method applied
Customs fees	Based on the Australian logistic company invoiced cost allocated to goods based on weight.
Quarantine charges	Based on the logistic company invoiced cost allocated to goods based on weight.
Port service charges	Based on the logistic company invoiced cost allocated to goods based on weight.
Ancillary charges	Based on the logistic company invoiced cost allocated to goods based on weight.
Delivery (into store from port of arrival)	Based on the logistic company invoiced cost allocated to goods based on weight.
SG&A	Based on PMAA's audited financial statement. ⁶

Table 5 Verification of cost calculation method

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**.

5.4 Verification of CTIS 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 key information fields within the CTIS data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

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

5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	In relation to PMAA's import sample examined at Part B of its RIQ, the verification team ascertained that PMB reimbursed PMAA the importation costs to the place of delivery in Australia. As a result, the delivery terms initially stated by PMAA did not reflect all of the circumstances of the exportations by PMB.	The verification team set aside the delivery terms initially reported by PMAA and amended its response to Part B of the RIQ with annotations to reflect the actual circumstances of its imports.
2	Reported payment terms were not consistent with the terms stated on commercial invoices or were payments made as per those invoices.	This issue was also encountered in the verification of PMB's exports to PMAA whereby PMAA pays for its goods in periodical lump sums. Relying on payment

⁶ Whilst the rate of SG&A cost per shipment was found to be reasonable, the verification team applied a different amount for the purpose of assessing the profitability of PMAA's imports in section 6.3

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No.	Exception	Resolution
		documentation the verification team could link payment to the various commercial invoices relevant to PMAA's imports from PMB. In the PMB verification, the payment terms that reflected the transfer of funds by PMAA into PMB's accounts was determined having regard to the opening and closing accounts receivable balances in PMB's accounts for PMAA. Applying this data payment terms were ascertained using the accounts receivable turnover ratio method.

Table 6 Exceptions during verification of accuracy of CTIS data

5.5 Forward orders

PMAA provided a listing of its current forward orders at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by PMAA, including any required amendments as outlined in the exception table above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

The verification team considers PMAA is the beneficial owner of the goods at the time of importation and therefore the importer of the goods on the basis that PMAA was;

- named on the commercial invoice;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges⁷; and
- arranges delivery from the Australian port of arrival.

6.2 The exporter

As discussed in Chapter 1, PMB sold its extrusions business to related party PMBK on 22 November 2019.

Given that the notice initiating this investigation specifically identified PMB as an exporter of the goods, in undertaking an assessment of the exporter of the goods imported by PMAA, the verification team has had regard to the period in which PMB produced and sold the goods.

Prior to 22 November 2019

Subject to further inquiries, the verification team considers PMB to be the exporter of the goods⁸, as PMB:

- manufactured the goods;
- is named on the commercial invoice as the supplier;
- is named as consignor on the bill of lading;
- arranged and paid for the inland transport to the port of export;
- arranged and paid for the port handling charges at the port of export;
- covered the cost of ocean freight and marine insurance from the port of export to the Australian port of arrival; and
- reimbursed PMAA for Australian importation costs after arrival of the goods into Australia.

The verification team was satisfied that for all Australian export sales during the investigation period prior to 22 November 2019, PMB was the principal located in the country of export who knowingly placed the goods in the hands of a carrier, courier,

⁷ Which are later reimbursed to PMAA by PMB subsequent to release from the Australian port of arrival.

⁸ 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.

forwarding company, for delivery to of the good to Australia. The verification team considers PMB to be the exporter of the goods prior 22 November 2019.

6.3 Profitability of imports

PMAA's customers for the goods in the sample shipments examined at Chapter 5 could not be readily identified using the financial information provided by PMAA in its questionnaire.

In the alternative to assessing the profit for each sample shipment, the verification team examined profits for PMAA's sales relevant to the time in the investigation period prior to when PMB sold its extrusions business and related assets to PMBA, i.e. prior to 22 November 2019.

Pursuant to section 269TAA(3) of the Act, the profitability of PMAA's Australian sales was as undertaken having regard to the following;

- The monthly weighted average purchase price for each surface finish MCC sub-category paid by PMAA to the exporter;
- The monthly weighted average selling prices for each surface finish MCC sub-category;
- Total monthly volume of PMAA's Australian sales for each surface finish MCC sub-category;
- SG&A costs expressed as a proportion of selling price;
- PMAA delivery expenses expressed as a proportion of selling price.

Applying the approach outlined above, PMAA's sales of the goods sourced from PMB appear to have been sold at a loss. At the level observed however the verification team considers it reasonable that PMAA could recover those losses within a reasonable period of time through incremental increases in prices and/or cost reductions.⁹ It is noted that PMAA's 2019 audited income statement, which covers the same period as the investigation period, reported a positive EBIT.

The profitability of PMAA's Australian sales is provided in the assessment at **Confidential Appendix 4**.

6.4 Related party suppliers

PMAA purchased goods from related party PMB during the period.

6.5 Arms length

Having regard to the finding above in relation to the profitability of PMAA's Australian sales of the goods it imported from Malaysia, the verification team considers it likely that the losses incurred by PMAA in relation to those sales can be recovered within a reasonable period. Information examined in relation to the sample of imports at

⁹ Chapter 5, Anti-Dumping Commission Dumping and Subsidy Manual (November 2018), p.27

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Chapter 5 also ascertained that PMAA was paying PMB for the goods in amounts equal to the value stated on PMB's commercial invoices.

Further, credit applied in PMB's accounts receivable records in relation to importation costs initially paid by PMAA were not found to offset the amounts payable to PMB by PMAA in relation to PMAA's purchases of the goods.

The verification team's analysis of the PMB accounts receivables account for PMAA demonstrated that the balance at the end of the period represented a net decrease compared to the opening balance. This observation is consistent with the level of trade payables to related parties that PMAA reported in its 2019 financial statements which indicated that it has reduced its trade payables liability over the financial year.

In addition to the above considerations, the verification team has also had regard to the arms length assessment of PMAA's purchases from PMB as part of the verification of PMB's questionnaire response. The arms length assessment of PMB's exports to PMAA had regard to the following information;

- the profit on PMB's exports of the goods to Australia, having regard to all of the costs it incurred in the production and sale of the goods;
- price lists provided in relation to a sample of export transactions subject to detailed examination;
- the London Metal Exchange aluminium market price trends;
- the manner in which PMAA paid for the goods;
- treatment of certain exportation costs covered by PMB; and,
- the established trading practices between PMB and PMAA.

In respect of imports of the goods to Australia by PMAA during the investigation 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 received a benefit for, or in respect of, whole or any part of the price.

6.6 Export price assessment

The verification team is of the opinion that for the goods imported by PMAA from PMB in the investigation period that were purchased prior to 22 November 2019:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions.

In respect of Australian sales of the goods by PMB, the verification team recommends that the export price be determined under section 269TAB(1)(a), as the price paid for the goods by the importer, other than any part of that price that

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represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Specifically, the verification team recommends that the appropriate method of calculating the FOB export price as the price paid by PMB's Australian customers, as stated on commercial invoices, less relevant costs to the FOB level, i.e. the sum of Australian importation costs, marine insurance and ocean freight and any other charge arising after exportation.

7 ATTACHMENTS

Confidential Appendix 1	Import listing
Confidential Appendix 2	Forward orders
Confidential Appendix 3	CTIS
Confidential Appendix 4	Profitability of imports
Confidential Attachment 1	Verification Work Program