



## Importer Verification Report

### Verification & Case Details

<b>Initiation Date</b>	13/02/2020	<b>ADN:</b>	2020/017
<b>Case Number</b>	543		
<b>The goods under consideration</b>	Aluminium Extrusions		
<b>Case type</b>	Continuation Inquiry		
<b>Importer</b>	Kam Kiu (Australia) Pty Ltd		
<b>Inquiry Period</b>	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

**CONTENTS**

**CONTENTS ..... 2**

**1 COMPANY BACKGROUND..... 3**

1.1 CORPORATE STRUCTURE AND OWNERSHIP ..... 3

**2 THE GOODS ..... 4**

2.1 THE GOODS ..... 4

2.2 MODEL CONTROL CODES (MCCs) ..... 4

2.3 VERIFICATION OF MCCS ..... 4

2.4 THE GOODS IMPORTED AND SOLD IN AUSTRALIA ..... 4

2.5 LIKE GOODS..... 5

**3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE..... 6**

3.1 SALES COMPLETENESS AND RELEVANCE FINDING ..... 6

**4 DOWNWARDS VERIFICATION OF SALES..... 7**

4.1 VERIFICATION OF SALES ACCURACY..... 7

4.2 SALES ACCURACY FINDING ..... 7

**5 VERIFICATION OF IMPORTS ..... 8**

5.1 IMPORT LISTING ..... 8

5.2 VERIFICATION OF COST TO IMPORT AND SELL (CTIS)..... 8

5.3 CTIS ALLOCATION METHOD..... 8

5.4 VERIFICATION OF CTIS ACCURACY ..... 9

5.5 FORWARD ORDERS ..... 10

5.6 CTIS VERIFICATION FINDING ..... 10

**6 EXPORT PRICE..... 11**

6.1 THE IMPORTER..... 11

6.2 THE EXPORTER..... 11

6.3 PROFITABILITY OF IMPORTS ..... 12

6.4 ARMS LENGTH ..... 12

6.5 EXPORT PRICE ASSESSMENT ..... 13

**7 ATTACHMENTS ..... 14**

## 1 COMPANY BACKGROUND

### 1.1 Corporate structure and ownership

Kam Kiu Pty Ltd (KAU) forms part of the Kam Kiu group of companies, and functions as the sales agent in Australia. The Kam Kiu group's sales to Australia are invoiced by Kam Kiu (Hong Kong) Limited (KHK), which is the Kam Kiu group's main international sales office based in Hong Kong. Prior to 2018 the function of KHK, in relation to sales to Australia, was performed by another related entity, Kam Kiu Aluminium Products SDN BHD (KMY), a Malaysian based entity. The goods subject to this inquiry are manufactured by Taishan City Kam Kiu Aluminium Extrusion Co., Ltd (KAE).

It should be noted that in Review 392 the Commission determined KMY to be the importer of the goods exported to Australia. In Review 482 the Commission applied similar reasoning to Review 392 and determined KHK to be the importer of the goods.

KAU, KHK and KAE are all ultimately owned by the same holding companies. Whilst there are numerous other entities in the Kam Kiu group of companies - KAU, KHK and KAE are the entities involved in the imports of the goods from China to Australia.

The importer subsequently sells the goods in the condition in which they were imported, to an outside party.

#### 1.1.1 Related parties

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

#### 1.1.2 Related suppliers

The subject goods are manufactured by related supplier KAE. KHK did not purchase subject goods from unrelated suppliers during the inquiry period.

## **2 THE GOODS**

### **2.1 The goods**

KHK confirmed that it imported the goods from China during the inquiry period matching the description of the goods that are the subject of this continuation inquiry.

### **2.2 Model control codes (MCCs)**

KHK provided sales and cost data in accordance with the MCC structure detailed in Anti-Dumping Notice (ADN) No. 2020/018.

### **2.3 Verification of MCCs**

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

<b>Category</b>	<b>Determination of the sub-category</b>
Finish	The verification team compared finish code denoted in the sales listing to specifications as per commercial invoice.
Alloy	The verification team compared alloy code denoted in the sales listing to specifications as per commercial invoice.
Temper	The verification team compared temper code denoted in the sales listing to specifications as per commercial invoice
Anodising microns	The verification team compared anodising microns code denoted in the sales listing to specifications as per commercial invoice. (Applicable for anodised goods only)

**Table 1 MCC sub-category determination**

The verification team interrogated the relationship between the importer's product codes and MCC categories and found that each product code would generally map to one temper code and one alloy code but that a product code quite often could include more than one type of finish.

### **2.4 The goods imported and sold in Australia**

The verification team were satisfied that KHK sold goods with the following MCCs during the investigation period:

#### **List of MCCs sold**

A-6A-T1-1
A-6A-T1-2
A-6A-T50-1
A-6A-T60-1
A-6B-T1-1
A-6C-T1-1
A-6D-T1-1

## PUBLIC RECORD

BD-6B-O-0
BD-6B-T1-0
M-6A-T1-0
M-6A-T50-0
M-6A-T60-0
M-6B-T1-0
M-6B-T50-0
M-6C-T1-0
M-6C-T60-0
M-6D-T1-0
M-O-T1-0
PC-6A-T1-0
PC-6A-T50-0
PC-6B-T1-0
PC-6C-T1-0
WP-6A-T1-0

**Table 2 List of MCCs sold**

### 2.5 Like goods

The Kam Kiu group of companies has cooperated with numerous anti-dumping investigations and reviews. It has been established that the Kam Kiu group of companies holds the view that Australian industry manufactures like goods to the goods imported by KHK. This question was not raised during this verification.

### 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 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 visit team verified the relevance and completeness of the sales data as follows:

- The total turnover for the calendar year of 2019 as per KHK income statement was reconciled to KHK total sales listing and verified against KHK trial balance.
- KHK total sales listing was filtered by country for sales to Australia, and filtered for 'subject goods'. The total values and volumes of these sales, expressed in AUD were reconciled within a small margin to the Australian sales listing provided with the RIQ.
- The verification team also reviewed transactions made to other countries, and transactions concerning non-subject goods to ensure that these were not subject goods sold to Australia.

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 KHK, 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 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**.

### 4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by KHK 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**

KHK confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the investigation period.

### **5.2 Verification of cost to import and sell (CTIS)**

Prior to the verification, the Commission selected 12 shipments for KHK and its sales agent KAU to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, KHK and KAU provided the following source documents:

- Commercial invoice its Australian customer(s);
- Purchase order from its Australian customer(s);
- Bill of lading;
- Customs entry form
- Cartage invoice;
- Forwarder invoice;
- Cargo transportation insurance policy;
- Ocean freight bill; and
- Proof of payments

### **5.3 CTIS allocation method**

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

<b>Cost Area</b>	<b>Method applied</b>
Ocean freight	Based on the actual ocean freight cost.
Marine insurance	Allocated to goods based on weight and company marine insurance policy
Duties	Actual costs as per ABF import data base
Customs fees	Actual costs as per forwarder invoice and customs entry form
Port service charges	Actual costs as per forwarder invoice
Delivery	Actual costs as per cartage invoice
SG&A	Allocated as a percentage based on invoice value.

**Table 3 Verification of cost calculation method**



## PUBLIC RECORD

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

### 5.3.1 Exceptions during verification of CTIS allocation

No.	Exception	Resolution
1	The invoice date for shipment 1 fell in calendar year 2018, and the goods in this shipment are therefore not subject to the inquiry.	The verification team reviewed the invoices relating to this shipment and as the goods are not invoiced within the inquiry period this shipment was not included in the profitability analysis.
2	The importer did not supply commercial invoices from its related supplier of the goods, KAE.	The verification team added the cost of the importers purchases from its related supplier KAE to the CTIS. The verification team ensured that some of these purchases had been included in the sample sales that were verified during the exporter verification of KAE.
3	The importer did not include the cost of interim dumping duties and countervailing duties paid in respect of the shipments.	The verification team added the cost of interim dumping duties and countervailing duties paid in respect of the shipments to the CTIS based on ABF data.
4	The importer did not separate the subject goods from goods not subject to the measures for each shipment, noting that most container loads included both subject goods (aluminium extrusions) and goods not subject to the measures imported under the same tariff codes.	The verification team requested the importer to provide a breakdown of goods for each shipment, which was provided. The verification team added a separate line in the CTIS for subject goods for each shipment.
5	The SGA expenses relating to the costs of running the Australian sales office were insufficiently captured in KHK's proposed SGA rate.	The verification team recalculated the SGA rate by removing the line 'Commissions' from KHK's SGA expenses and substituting the actual SGA expenses incurred by KAU.

**Table 4 Exceptions during verification of CTIS allocation**

### 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.

## **PUBLIC RECORD**

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 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 Forward orders**

KHK did not provide forward orders with its RIQ.

### **5.6 CTIS verification finding**

The verification team is satisfied that the CTIS provided by KHK, 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 1**.

## 6 EXPORT PRICE

### 6.1 The importer

The verification team is satisfied that the Australian customers buy the goods manufactured by KAE from KAE's related trader KHK. KHK issues the invoices to the Australian customers, collect payments, and place orders with the factory in China. Another related entity, KAU, is based in Australia and handles logistics and certain customer service on a Commission basis on behalf of KHK.

After reviewing the various imports documentation the verification team established that KAU:

- is named as the consignee on the bill of lading;
- is declared as the importer on the importation declaration to ABF; and
- arranges delivery from the port.

The verification team also found that KHK:

- is named on the commercial invoice from its supplier; and
- pays for all the importation charges.

The verification team further established that the international commercial terms (INCOTERMS) between KHK and the Australian customers are DDP. That means that when the goods are on the water and until they are delivered into the warehouses of the Australian customers KHK is the owner of the goods.

Based on all the above information, the verification team considers KHK to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods.

### 6.2 The exporter

The verification team is satisfied that the goods were exported to Australia by someone other than the importer. Specifically, the verification team considers KAE to be the exporter of the goods<sup>1</sup>, as KAE is:

- the manufacturer of the goods;
- named on the commercial invoice and packing lists; and
- named as consignor on the bill of lading.

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<sup>1</sup> 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.

### 6.3 Profitability of imports

The verification team assessed the profitability for the following selected shipments by comparing the revenue to the CTIS for each shipment. As each selected shipment can be traced to actual sales transactions, the verification team used the actual revenue for each shipment to assess its profitability.

The outcome of this assessment is in Table 5 below.

Shipment	Profitable (Y/N?)
1	Not assessed – outside the inquiry period
2	N
3	N
4	N
5	N
6	N
7	N
8	N
9	N
10	N
11	N
12	N
<b>Weighted average all shipments</b>	<b>N</b>

**Table 5 Profitability of selected imports**

Further consideration and analysis was conducted to assess whether the losses could be recovered within a reasonable time, being 12 months. After having regard to the price paid by the importer, and other related importation and selling costs, the team found that it is unlikely these costs will be able to be recovered within a reasonable period of time.

The assessment is at **Confidential Appendix 1**.

### 6.4 Arms length

In respect of imports of aluminium extrusions to Australia by KHK during the investigation period, the verification team found that the price was influenced by a commercial or other relationship between KHK, its supplier KAE and its Australian sales agent KAU.

The verification team also considers, that since the goods were sold by KHK to its Australian customers at a loss, it should be treated as indicating that the importer will directly or indirectly be reimbursed, be compensated or otherwise receive a benefit for whole or any part of the price.

## PUBLIC RECORD

Therefore, subject to further inquiries, the verification team is not satisfied that the transactions between KHK and its supplier were conducted at arms length.

### 6.5 Export price assessment

The verification team is of the opinion that for the goods imported by KHK from KAE:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter;
- the purchases of the goods by the importer were not arms length transactions; and
- the goods are subsequently sold by the importer, in the condition in which they were imported, to a person who is not an associate of the importer.

Subject to further inquiries in relation to these shipments, the verification team recommends that the export price for aluminium extrusions imported by KHK from KAE be established under section 269TAB(1)(b) of the *Customs Act 1901*, being the price at which the goods were sold by the importer less the prescribed deductions.

**7 ATTACHMENTS**

<b>Confidential Appendix 1</b>	Profitability
<b>Confidential Attachment 1</b>	Verification Work Program