



## Exporter 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>Exporter</b>	TAI SHAN CITY KAM KIU ALUMINIUM EXTRUSION CO., LTD		
<b>Location</b>			
<b>Verification from</b>	16/04/2020	<b>to</b>	3/06/2020
<b>Inquiry Period</b>	1/01/2019	<b>to</b>	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

Tai Shan City Kam Kiu Aluminium Extrusion Co., Ltd (KAE) is a limited liability company, wholly owned by a foreign entity. There are a number of related entities affiliated with KAE.

KAE is the producer of various kinds of aluminium extrusions (including goods under consideration (GUC) and non-GUC) and other products, including processed products of aluminium with the application in building and architecture, auto parts, power generation systems, project references and high-end precision electronics. KAE's markets include the domestic market, Australia and third countries.

KAE is 100% owned by Kam Kiu Aluminium Products Group Limited ("KAG"). KAG was incorporated in Hong Kong as an investment holding company, which is 100% owned by Kam Kiu International Holdings Limited ("KIH"), a private investment holding company incorporated in the British Virgin Islands.

### 1.2 Related Parties

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

The verification team found that three group companies were involved in the production and sale of goods to Australia during inquiry period:

- KAE;
- Kam Kiu (Hong Kong) Limited (KHK); and
- Kam Kiu (Australia) Pty Ltd. (KAU).

### 1.3 Accounting records

KAE's accounting period is from January 1 to December 31. KAE's financial accounts are audited. The auditors are Huang Mingzhi (CPA) and Chen Xinwen (CPA) from Taishan City Longhe Certified Public Accountants Firm LTD

KAE's accounts are consistent with Chinese GAAP.

KHK's accounts are not consistent with Chinese GAAP. They are audited under the HKFRS (Hong Kong Financial Reporting Standards) and have been audited under this standard.

KAE's accounts are kept in CNY.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

Due to Australian government travel restrictions imposed in response to the COVID-19 pandemic, the verification team was unable to visit KAE's manufacturing facility to observe the goods being produced.

From previous on site verification, the verification team understands that the manufacturing process is as follows:

- KAE primarily purchase aluminium ingot, and a small amount of aluminium billet, which is considered a semi-finished product;
- aluminium ingot and other materials are transferred from raw material inventories to the casting workshop to form aluminium billet;
- aluminium billet is transferred from the billet inventory to the extrusion workshop, where the billet is squeezed through an extruding die to produce a mill finished profile;
- all mill finished extruded profiles are cut to size depending on customer requirements;
- mill finished profiles were sold as finished product, as well as transferred into other workshops for further processing, such as polishing, anodizing, fluorocarbon painting and powder coating; and
- finished goods are generally shipped direct to customers, though some are picked up (ex-works)

KAE provided a flow chart of the production process in its Response to the Exporter Questionnaire (REQ). There is no difference in the manufacturing process for aluminium extrusions produced for the domestic or export market.

### 2.2 Model Control Codes (MCCs)

KAE 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. 2020/017.

KAE proposed an amendment to the MCC structure to reflect the production and sale of additional finish types, WP (wet paint) and CD (cold drawn), alloy codes and temper codes. KAE's submission in regard the proposed MCC is on the Commission's electronic public record<sup>1</sup>.

KAE provided sales data according to its proposed MCC structure with expanded finish, alloy and temper level categorisations.

KAE's cost accounting system, however, only captures costs at a finish level based on internal account codes.

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<sup>1</sup> Case 543 EPR item No. 3

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The verification team considered whether the internal account codes could be tracked to an MCC, however on analysis of the data it was apparent that an MCC may apply to multiple internal codes, and further that significant differences in pricing and costs could exist for the internal account code within that MCC.

The verification team considers that it must use the best available information, and since the account code costs are more granular and therefore a more accurate reflection of costs than a weighted average cost at the finish level, it is prudent to use the internal account codes for the purpose determining dumping margins.

The verification team notes that this methodology is consistent with previous investigations and reviews.

### 2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it reasonable to make amendments to the MCC structure.

No.	Exception	Resolution
1	KAE reported domestic and export sales data according to an amended MCC framework.	The verification team accepted KAE's amendments in respect of the sales listings.

**Table 1 Amendments to the MCCs**

### 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	Determined with reference to the description in commercial documents.
Alloy code	Determined with reference to the description in commercial documents.
Temper Code	Determined with reference to the description in commercial documents.

**Table 2 MCC sub-category determination**

### 2.4 The goods exported to Australia

The verification team was satisfied that KAE produced and exported the goods to Australia. KAE exported the goods to Australia with the following MCCs during the inquiry period:

- WP-6A-T1-0
- A-6B-T1-1
- A-6A-T60-1

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- A-6A-T1-2
- M-6C-T60-0
- M-O-T1-0
- BD-6B-T1-0
- M-6C-T1-0
- BD-6B-O-0
- A-6C-T1-1
- PC-6B-T1-0
- M-6D-T1-0
- PC-6A-T1-0
- PC-6C-T1-0
- A-6A-T1-1
- M-6B-T1-0
- M-6B-T50-0
- A-6D-T1-1
- PC-6A-T50-0
- M-6A-T1-0
- A-6A-T50-1
- M-6A-T50-0
- M-6A-T60-0

KAE exported the goods to Australia with the following internal account codes during the inquiry period:

- 99.01
- 99.02
- 99.03
- 99.08
- 99.11
- 99.13
- 99.14
- 99.15
- 99.17
- 99.18
- 99.23
- 99.46
- 99.47

### **2.5 Like goods sold on the domestic market**

The verification team was satisfied that KAE sold like goods in the domestic market during the inquiry period.

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 exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way,

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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.

KAE sold like goods on the domestic market with the following MCC's during the inquiry period:

- M-6K-T1-0
- M-6A-T1-0
- M-6N-T1-0
- M-7K-T1-0
- A-6A-T1-1
- M-6C-T1-0
- M-6K-T60-0
- M-6B-T1-0
- M-6A-T60-0
- M-6C-O-0
- A-6A-O-1
- BD-6B-T1-1
- M-7K-O-0
- A-6A-T60-1
- M-6D-T1-0
- M-6A-O-0
- A-6A-T1-2
- PC-6A-T60-0
- M-O-T1-0
- M-O-O-0
- PC-6A-O-0
- A-6B-T1-1
- WP-6A-T60-0
- WP-6A-T1-0
- PC-6C-T1-0
- M-6K-T50-0
- BD-6A-T1-1
- A-6C-T1-2
- CD-6C-T1-0
- WP-6A-O-0
- A-6C-T1-1
- M-6A-T50-0
- CD-6A-T1-0
- M-6K-O-0

KAE sold like goods on the domestic market with the following internal account codes during the inquiry period:



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- 99.01
- 99.02
- 99.03
- 99.10
- 99.11
- 99.13
- 99.14
- 99.15
- 99.17
- 99.20
- 99.21
- 99.23
- 99.45
- 99.50
- 99.72
- 99.73

### 2.6 Like goods – assessment

The verification team considers that the goods produced by KAE 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).<sup>2</sup>

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<sup>2</sup> References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

<h3 style="margin: 0;">3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE</h3>
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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 REQ by reconciling these to unaudited financial statements in accordance with ADN No. 2016/30.

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

- KAE’s total company revenue in its 2019 audited financial accounts reconciled to the general ledger;
- The total of domestic sales, Australian sales and third country sales reconciled to the total sales revenue.

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 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	Negative transactions were queried	These were found to be returns. The company resubmitted the sales listing with a “returned goods” tag
2.	Four invoice lines on the sales listing had zero volume	Two invoice lines were found to be returns and two invoice lines were for set up fees, not extrusion sales. The domestic sales listing was amended to reflect the transaction status.
3	Auto Parts excluded from GUC	Auto part sales were supplied in a separate domestic sales listing with a submission detailing why KAE considered that these products should not be considered to be the

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		goods <sup>3</sup> . The verification team however does not consider the information supplied regarding these parts to be sufficient to exclude them from the GUC. To this end, the verification team has included them in domestic sales
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**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 in the REQ by KAE, following the required amendments as outlined as an exception above, is complete and relevant.

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<sup>3</sup> Case 543 EPR item No. 10.

## 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 did not identify any issues in relation to the accuracy of the data.

The verification team did however request additional information be supplied in relation to the sales listing to better differentiate differences in product specifications within internal account codes for comparison between domestic and export sales. The company resubmitted the data with additional descriptions tags supported by explanations and evidence.

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

### 4.1 Sales accuracy finding

The verification team is satisfied that the sales data provided by KAE, 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:

- COGS balanced back to cost of production by comparing 2019 financial statements to 2019 a warehouse cost allocation download;
- the warehouse cost allocation is a complete download of production costs allocated by quarter and by category of product;
- in order to appropriately allocate the costs from the warehouse cost allocations, the company tagged each cost model (finish) as having been sold into domestic, AU export, domestic and AU export or 3rd country;
- the tags then allowed the exporter to populate the cost to make by finish and by quarter with the appropriate cost base

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

- KAE's SG&A expenses in the audited 2019 financial statements reconciled to the 2019 trial balance.

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**.

### 5.1 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by KAE is complete and relevant.

<b>6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY</b>
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**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 models, in accordance with ADN No. 2016/30.

The verification team did not identified 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**.

Cost item	Method applied
Raw Materials	Weighted average actual cost to move goods from raw materials to finished goods.
Scrap Allocation	Valued at the weighted average cost at the time of recovery
Direct labour cost (Wages and welfare)	Actual cost based on the production/processing activities and then allocated onto each type of semi-finished or finished products by production quantity
Manufacturing overheads cost	Actual cost based on the production/processing activities and then allocated onto each type of semi-finished or finished products by production quantity
Sum of Direct labour cost (Wages and welfare)	Actual cost based on the production/processing activities and then allocated onto each type of semi-finished or finished products by production quantity
Other Costs	Actual cost based on the production/processing activities and then allocated onto each type of semi-finished or finished products by production quantity

**Table 4 Cost allocation method**

**6.2 Exceptions during verification of CTMS allocation method**

The verification team did not find any issues with regards to the allocation methodology or calculations

**6.3 Verification of Accuracy of CTMS data**

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 cost data down to source documents. This verifies the accuracy of the 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**.

#### **6.4 Accuracy finding**

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

KAE's CTMS data is at **Confidential Appendix 2**.

## 7 EXPORT PRICE

### 7.1 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 the 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 delivered duty paid (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.

### 7.2 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>4</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>4</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.



### 7.3 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.

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

### 7.4 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.

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 Unrelated customers

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

### 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.<sup>5</sup>

The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The Commission is currently considering this claim. Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.

### 8.3 Volume of relevant sales

The verification team have collected the necessary data to conduct a volume analysis, based on the reported costs and sales at the time of verification. The application has claimed that the market in the country of export is such that sales in

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<sup>5</sup> In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

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that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). The application has also claimed that exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The Commission is currently considering these claims. Therefore, the verification team has referred consideration of the volume of relevant sales to the case management team.

## 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) or section 269TAC(9)<sup>6</sup>.

### 9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	KAE offers credit terms for domestic customers.	The domestic credit rate is based on KAE's agreed credit terms for each transaction	Y	Y
Domestic inland transport	KAE incurred these charges in relation to certain domestic sales.	Weighted average unit value based on the actual inland transport costs,	N	Y
Domestic quality issues discount	KAE incurs off invoice discounts applied where compensation for quality issues is required, These are a discount that KAE was required to apply for defective goods for certain domestic customers.	Weighted average unit value across all	Y	Y
Export inland transport, handling and port charges	KAE incurred these charges in relation to certain sales to Australia.	Weighted average unit value based on the total inland transport, handling and port charges incurred and the invoice quantity.	N	Y
Export credit terms	KAE offers credit terms for certain Australian exports.	The domestic credit rate is based on KAE's agreed credit terms for each transaction	Y	Y
Export packing trolley cost	KAE stated in its REQ that there is no difference in packaging costs	While KAE did provide cost data related to trolleys used for export sales, this data was not evidenced and due to	N	Y

<sup>6</sup> As the case management team is assessing market situation claims a basis for normal value has not been determined. The basis on which the normal value is determined will determine the section under which adjustments are necessary.

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	<p>between domestic and export sales.</p> <p>The verification team conducting the on-site verification as part of REV 392 found that there was a difference in packaging insofar as trolleys were used to load the goods into containers for export to Australia.</p> <p>The verification team consider for the purposes of this inquiry, that an upward adjustment for export trolley cost is required to ensure a fair comparison to the FOB export price.</p>	<p>being significantly lower than found in previous investigations, the verification team considered the verified trolley cost calculated in REV 392 and REV482 to be a suitable substitute for the purposes of CON 543.</p>		
VAT Refund	<p>The cost of non-refundable VAT was incurred on Australian sales for the first quarter (January – March 2019), but no cost was incurred for the remainder of the inquiry period.</p>	<p>In the first quarter a non-refundable VAT expense was incurred on export sales of 3%, being the difference between:</p> <ul style="list-style-type: none"> <li>• Export VAT rate of 16%; and</li> <li>• Export VAT rebate rate of 13%.</li> </ul> <p>However from 1 April 2019, there was no cost incurred for non-refundable VAT because the export VAT rate had lowered to be equal to the export VAT refund.</p> <p>Therefore, an upwards adjustment for non-refundable VAT will be applied only to the first quarter of the period.</p>	N	Y

**Table 5 Assessment of adjustments**

## 9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) or section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland transport,	Deduct an amount for inland transport
Domestic quality issues discount	Deduct an amount for quality issues discounts
Export inland transport, handling and port charges	Add an amount for export inland transport and associated FOB charges
Export credit terms	Add an amount for export credit terms
Export packing trolley cost	Add an amount for trolley cost
Non-refundable VAT	Add an amount for non-refundable VAT

**Table 6 Summary of adjustments**

## 10 NORMAL VALUE

As stated in chapter 8, the application has claimed that the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is satisfied. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that, once the case team determines the basis for calculating the normal value, certain adjustments in accordance with either section 269TAC(8) or section 269TAC(9) are necessary to ensure that normal values are properly comparable with export prices. These adjustments are outlined in chapter 0 above.

## **11 DUMPING MARGIN**

Normal values were not determined as part of the verification process (see chapter 10 of this report). As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by KAE for the period. The calculation of the dumping margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.



## **12 SUBSIDIES**

### **12.1 Less than adequate remuneration**

The verification team verified the completeness, relevance and accuracy of the raw material purchase listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

The verification team also collected information on whether the raw material was supplied by and/or manufactured by a State Invested Enterprise.

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**.

### **12.2 Tax benefits**

The verification team verified the income tax information provided in the REQ by reconciling the information to the tax returns and proof of payment documents.

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**.

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
1	Taxable income and tax paid as detailed in table I-3 of the REQ did not agree to tax returns and proof of payment documentation.	The company resubmitted the I-3 such that taxable income and tax paid reconciled to the tax returns and proof of payment documentation.

**Table 7 Exceptions during verification of accuracy of sales data**

### **12.3 Financial Grants**

The verification team verified the completeness, relevance and accuracy of the financial grants listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

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**.

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
1	Table I-4 of the REQ contained grants that were identified as being received in 2019 which were in fact received in 2018 as per ledger and supporting documents.	The verification team amended the I-4 to ensure the grants received were show as having been received in the year of receipt.

## **12.4 Tariff and Value Added Tax (VAT) Exemptions on Imported Materials and Equipment**

The verification team verified the completeness, relevance and accuracy of the imported materials and equipment detailed in the listing provided by KAE against the asset register as part of the verification of CTMS detailed above.

The verification team did not identify any issues during this process.

## **12.5 Subsidy margin**

The verification team found that KAE received a benefit in relation to the following programs:

- Aluminium provided at less than adequate remuneration;
- Preferential tax policies for high and new technology enterprises;
- Provincial Government of Guangdong (PGOG) tax offset for research and development;
- Tariff and VAT Exemptions on Imported Materials and Equipment; and
- various grants.

On the basis that the case management team finds these programs to be countervailable subsidies, the verification team has calculated a preliminary subsidy margin for KAE during the investigation period to be **6.4 per cent**.

Details of the preliminary subsidy margin calculation are at **Confidential Appendix 6**.

**13 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 6</b>	Subsidy Margin
<b>Confidential Attachment 1</b>	Verification work program