



## Exporter Verification Report

### Verification & Case Details

<b>Initiation Date</b>	13 February 2020	<b>ADN:</b>	2020/017
<b>Case</b>	Aluminium Extrusions - Continuation - China		
<b>Case Number</b>	543		
<b>Exporter</b>	Foshan City Sanshui Yongya Aluminium Co., Ltd		
<b>Location</b>	Desktop verification		
<b>Verification from</b>	16 April 2020	<b>to</b>	17 June 2020
<b>Inquiry Period</b>	1 January 2019	<b>to</b>	31 December 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

Foshan City Sanshui Yongya Aluminium Co Ltd (Yongya) is a limited liability company and aluminium manufacturer based in the People's Republic of China (China). Yongya produces aluminium products for sale in the domestic market and for further on-selling into export markets.

Yongya is majority-owned by its executive director with remaining minority shares owned by another individual. The information provided by Yongya did not suggest that Yongya's owners are associated with any of Yongya's customers or suppliers, nor did the verification team identify any information suggesting such an association.

### 1.2 Related Parties

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

The verification team found that Yongya does not have any related party customers or suppliers of the goods during the inquiry period.

### 1.3 Accounting records

Yongya's audited financial statement was audited by Guangzhou Xinkaicheng Certified Public Accountant Partnership and includes a statement that the financial accounts comply with the Chinese Accounting Standards, also known as the Chinese Generally Accepted Accounting Principles (GAAP).

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

## **2 THE GOODS AND LIKE GOODS**

### **2.1 Production Process**

Yongya’s stated that its production process varies depending on the finish of the end-product.

For all finish types, aluminium billet is extruded using a hydraulic extrusion press, then the billet is heat treated using an aging furnace that provides hot air circulation

Anodised goods and electrophoretic paint-finish goods are then sand blasted to prepare for oxidation and treated with the anodic oxidation. Electrophoretic paint-finish goods undergo an additional electrophoresis process to coat the goods with paint.

Powder coated goods undergo electrostatic spraying and bake curing.

Yongya uses various materials to package the goods, with the specific materials determined on a product-by-product basis, as opposed to consistent packaging for certain finish goods.

During the production process, scrap is produced. Yongya collects this scrap for resale.

### **2.2 Model Control Codes (MCCs)**

Yongya 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) 2020/017.

Yongya proposed an additional subcategory to the MCC detailed in ADN 2020/017, discussed below.

#### **2.2.1 Amendments to MCCs**

Based on analysis of the price comparability of the goods under consideration, the verification team considers it is 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.

<b>Category</b>	<b>Determination of the sub-category</b>
Finish	In sales, the verification team identified finish type based on model type descriptions provided in corresponding purchase orders.  In costs, the verification team noted that production costs are separated by the workshop associated with each finish type.
Alloy code	In sales, the verification team identified finish type based on model type descriptions provided in corresponding purchase orders.

**Table 1: MCC sub-category determination**

## 2.4 The goods exported to Australia

The verification team were satisfied that Yongya produced and exported the goods to Australia. Yongya exported the goods to Australia with the following MCCs during the period:

- M-6A
- M-6D

## 2.5 Like goods sold on the domestic market

The verification team were satisfied that Yongya sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

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

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

- A-6A
- A-6C
- E-6A
- M-6A
- M-6C
- PC-6A
- PC-6C

## 2.6 Like goods – assessment

The verification team considers that the goods produced by Yongya 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>1</sup>

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<sup>1</sup> References to any section or 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 in accordance with ADN. No 2016/30.

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

- The verification team compared Australian import data from Australian Border Force (ABF) with the export sales listing during the inquiry period.
- The verification team reconciled the total company revenue in Yongya's 2019 audited financial report to the total sales revenue from Yongya's export and domestic sales listings.
- The verification team confirmed that Yongya did not sell products outside the goods description during the inquiry period, except for scrap metal.

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	Yongya's export sales listing included goods to one customer invoiced in 2019 but delivered to its customers and likely imported in 2018.	Yongya reviewed its warehouse slips and identified all invoice numbers corresponding to goods delivered in 2018.  The verification team excluded these sales from its dumping margin calculations.
2	For certain sales, a comparison of the ABF import data and Yongya's export sales listing indicated that the sales were made to Yongya's customer in late 2019 but not imported until after the end of the inquiry period.	The verification team has excluded these sales from its dumping margin calculations.
3	For certain sales, a comparison of the ABF import data and Yongya's export sales listing indicated a discrepancy between i) Yongya's sales price to the relevant customer, i.e., the trader and ii) the trader's sales price to its customer, i.e., the importer.	For the sales in question, the verification team was unable to identify adequate information from Yongya to explain the discrepancy. The relevant trader and importer entities did not cooperate with the current verification.  For the sales in question, the verification team relied on the ABF import data to

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No.	Exception	Resolution
		replace discrepant values in Yongya's export sales listing.

Table 2: 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 Yongya, including any required amendments as outlined in the exception table above, 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 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**.

### 4.1 Sales accuracy finding

The verification team is satisfied that the sales data provided by Yongya 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 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 Yongya's cost data by reconciling the total cost to make (for all extrusion finishes) to the relevant production cost ledgers, finished goods inventory ledger, the 2019 trial balance, and the cost of goods sold in the audited financial statements for 2019.

The verification team verified the relevance and completeness Yongya's SG&A costs by reconciling these costs to the audited financial statements and the trial balance for 2019.

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 Yongya is complete and relevant.

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

## 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 (finish), 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	<p>Cost allocation based on the actual quantity of the raw materials consumed in each workshop.<sup>2</sup> Raw materials are transferred at weighted average cost to the production workshops.</p> <p>Evidence relied on: billet inventory ledger, production cost sub-ledgers for the production workshops, semi-finished goods ledger, production/output reports, warehouse slips</p>
Auxiliary materials	<p>Cost allocation based on the actual quantity of auxiliary materials consumed in each workshop. Auxiliary materials are transferred at weighted average cost to the production workshops.</p> <p>Evidence relied on: auxiliary material 'slip report', auxiliary materials ledger including inventory report</p>
Scrap Allocation	<p>Valued at 85 per cent of the raw material (billet) value.</p> <p>Evidence relied on: scrap ledger, finished goods inventory ledger and sub-ledger, billet inventory ledger</p>
Packing	<p>Cost allocation based on the relative production quantity of finished goods in each workshop.</p> <p>Evidence relied on: packing material cost worksheet, packing ledger, packaging material inventory report, production/output reports</p>
Manufacturing overheads	<p>Cost allocation based on the relative output and standard energy consumption for each workshop.</p> <p>Evidence relied on: energy cost allocation worksheet, electricity, water and gas cost sub-ledgers. manufacturing costs general ledger, production/output reports</p>
Labour	<p>Cost allocation based on the relative output and standard labour hours for each workshop.</p>

<sup>2</sup> Relevant to each extrusion finish i.e. mill finish, anodised, powder coated, electrophoretic coating.

## PUBLIC RECORD

	Evidence relied on: labour cost allocation worksheet, production department (labour cost) sub-ledgers for the different workshops, production/output reports.
Depreciation	Cost allocation based on the relative output for each workshop.  Evidence relied on: depreciation cost allocation worksheet, depreciation cost sub-ledger, asset register, production/output reports.
Selling, general and administrative (SG&A) costs	Cost allocation based on sales revenue.

**Table 4: Cost allocation method**

### 6.2 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**.

### 6.3 Accuracy finding

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

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

## 7 EXPORT PRICE

### 7.1 The importers

The verification team considers the Australian customers of the traders that purchased goods from Yongya to be the beneficial owner of the goods at the time of importation. Therefore, the importers are the entities declared as the importers on the importation declarations to ABF.

In relation to the goods exported by Yongya to Australia, the verification team considers that the customers listed for each shipment were not the beneficial owners of the goods at the time of importation, and therefore were not importers of the goods. Rather, as described above, some of Yongya's customers of the goods were traders, known by Yongya to supply the goods to Australia.

### 7.2 The exporter

The verification team considers Yongya to be the exporter of the goods,<sup>3</sup> as Yongya:

- is the manufacturer of the goods; and
- sells the goods to its customers with the knowledge that these customers will supply the goods to Australia.

The verification team is satisfied that Yongya is the exporter of the goods in relation to all export sales to Australia in the inquiry period.

### 7.3 Arms length

In respect of some of Yongya's Australian sales of the goods during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>4</sup>

The verification team therefore considers that these export sales made by Yongya during the period were arms length transactions.

In respect of Yongya's remaining Australian sales of the goods during the inquiry period, the verification team found that there were discrepancies between the trader's price to the

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<sup>3</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.

<sup>4</sup> Section 269TAA of the Act refers.

importer (as declared in the ABF import declaration) and the price paid by the trader for the goods sold by Yongya.

Because the relevant trader and importer entities did not cooperate with the current verification, the verification team was unable to obtain further information regarding the discrepancies.

Based on the information available at the time of verification, the verification team considers that it is unable to make an assessment as to whether or not the sales included in the ABF discrepancy issue were arms length transactions pursuant to section 269TAA(1).

#### **7.4 Export Price – assessment**

In respect of Australian sales of the goods by Yongya, the verification team found that the importer has not purchased the goods from the exporter, therefore, export prices cannot be determined under sections 269TAB(1)(a) or 269TAB(1)(b).

For sales not included the ABF discrepancy issue described above in section 7.3, the verification team recommends that the export price be calculated under section 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically, the verification team recommends that the export price be calculated for these sales as the price paid or payable for the goods by the trader to Yongya in arms length transactions less the prescribed deductions.

For sales included in the ABF discrepancy issue described above in section 7.3, the verification team recommends that the export price be calculated under section 269TAB(3), as the verification team has found that sufficient information to assess the arms length nature of these transactions under section 269TAB(1) has not been furnished, or is not available. The verification team considers importer data provided to ABF to be the best available information for calculating the export price for these sales. The verification team recommends that the export price be calculated for these sales as the quarterly weighted average price paid for the goods by the relevant importer.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

## 8 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under section 269TAC(1).

### 8.1 Arms length

In respect of Yongya's domestic sales of like goods to its customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Yongya to its 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 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.

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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.

## 9 ADJUSTMENTS

Yongya has not claimed any adjustments to the normal value. The verification team found that no adjustments to the normal value are required, particularly given that the export price of the goods exported to Australia and like goods sold by Yongya were at ex-works and cash terms. Because the price of the goods exported to Australia and like goods sold domestically is at ex-works and cash terms, the verification team considers that no adjustments (in accordance with section 269TAC(8) or 269TAC(9)) are required.

The verification team did not find that any other adjustments are required in order to ensure that the normal value is properly comparable with the export price of the goods.

## **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 team.



## **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 Yongya 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 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**.

### 12.3 Financial Grants

Yongya stated that it did not received any financial grants from any level of government in calendar years 2017, 2018 and 2019.

The verification team reviewed Yongya's ledgers pertaining to non-operating and other income and did not find any evidence that Yongya received any financial grants in 2017, 2018 and 2019.

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

### 12.4 Subsidy margin

The verification team did not find that Yongya received a benefit in relation to any subsidy programs.

**13 APPENDICES AND ATTACHMENTS**

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