



Exporter Verification Report

Verification & Case Details

Initiation Date	13/02/2020	ADN:	2020/017
Case Number	543		
The goods under consideration	Aluminium Extrusions		
Case type	Continuation Inquiry		
Exporter	PanAsia Aluminium (China) Limited		
Location	Desktop verification		
Verification from	May 2020		
Inquiry Period	1/01/2019	to	31/12/2019

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

PanAsia Aluminium (China) Limited ('PanAsia China') is wholly owned by PanAsialum Holdings Company Limited ('PanAsialum Holdings'). PanAsia China manufactures aluminium products, including aluminium extrusions, for domestic and export markets.

1.2 Related Parties

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

1.2.1 Related suppliers

The verification team found that PanAsia China had one related supplier, PanAsia Industrial (Nanyang) Co., Ltd, during the inquiry period that supplied materials that PanAsia China consumed to produce the goods. The related supplier is wholly owned by PanAsialum Holdings.

Refer section 6.4 of this report for further discussion.

1.2.2 Related customers

For its Australian sales, PanAsia China produced the goods that were exported via a related trader, OPAL (Macao Commercial Offshore) Ltd ('OPAL'), to a related Australian importer, PanAsia Aluminium (Australia) Pty Ltd ('PAA'). OPAL and PAA are wholly owned by PanAsialum Holdings.

On the domestic market, a small proportion of like goods were sold by PanAsia China to a related customer during the period, PanAsia Industrial (Nanyang) Co., Ltd. The related customer is wholly owned by PanAsialum Holdings.

1.3 Accounting records

PanAsia China's audited financial statement was audited by Guangzhou Zengxin Hongri CPA Co., Ltd. and includes a statement that the financial accounts comply with the China Accounting Standards for Foreign Invested Enterprises.

Therefore, the verification team considers that the accounting records held by PanAsia China are in accordance with the generally accepted accounting principles of the People's Republic of China.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

A summary of PanAsia China’s production process for the goods and like goods is as follows:

- **Raw Materials:** Aluminium ingot, and other auxiliary materials, is purchased domestically from unrelated Chinese suppliers.
- **Melting:** The raw materials are melted to produce billet.
- **Extrusion:** Self-produced billet or purchased billet is heated and extruded to produce mill finish extrusion. The cost of designing and making dies is captured in the extrusion workshop.
- **Quality inspection:** Measuring and cutting product if required.
- **Anodising:** Mill finish product is transferred to the anodising workshop.
- **Powder coating:** Mill finish product is transferred to the coating workshop.
- **Polishing:** Mill finish, anodised or powder coated product can be polished.
- **Finished Goods:** Goods can be finished goods at the ‘Extrusion’, ‘Anodising’ ‘Powder coating’ and ‘Polishing’ stages.
- **Scrap:** Aluminium scrap and anodising/coating material scrap is produced during the extruding, quality inspection, anodising and powder coating stages.
- **Packaging:** Finished goods are either transferred to the packaging workshop (for non-standard, additional packaging, e.g. wooden pallets), or directly to the finished goods warehouse.

2.2 Model Control Codes (MCCs)

PanAsia China 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.

In addition to the requirements of the MCC structure, PanAsia China proposed additional cost MCC sub-categories, as outlined below.

No.	Exception	Resolution
1	In addition to the MCC structure requirement for the cost MCC to include finish category, PanAsia China provided cost sub-categories for polishing and additional (non-standard) packaging.	<p>Based on the costs verification, the verification team is satisfied that the additional sub-categories are recorded by PanAsia China in the ordinary course of business and influence the costs for the goods. As such, the cost MCC has been revised to include the following categories:</p> <ul style="list-style-type: none"> • Finish • Polishing • Non-standard, additional packaging <p>PanAsia China listed the cost MCC for each sales transaction in the Australian and domestic sales listings. However, following requests for information to verify the</p>

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		<p>polished and packaging cost MCC categories to the sales MCC (via product codes), the verification team did not receive sufficient information to be satisfied that the polished and packaging cost MCC categories set out in the sales listings are accurate. As such, the verification team has determined costs as follows for Australian and domestic goods:</p> <ul style="list-style-type: none"> • In constructing the normal value of the goods exported to Australia, the verification team has included the cost of polishing and non-standard, additional packaging; and • In calculating sufficiency of domestic sales and profit in the OCOT, the domestic CTM does not include any costs associated with polishing and non-standard, additional packaging. <p>No changes were made to the sales MCC on the basis of polishing and additional packaging as price analyses did not demonstrate a significant and consistent influence on price.</p>
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Table 1 Amendments to the cost MCC

2.3 Verification of sales MCCs

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

Sales MCC sub-category	Determination of sales MCC sub-category
Finish	Reconciled directly to the commercial invoice and purchase order.
Temper code	Reconciled via product code based on commercial invoice, purchase order and bill of lading.
Alloy code	Reconciled via product code based on commercial invoice, purchase order and bill of lading.

Table 2 Sales MCC sub-category determination

2.4 The goods exported to Australia

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

- M-6A-T1
- M-6B-T1
- M-6C-T1
- M-6D-T1
- M-O-O
- A-6A-T1

- A-6A-T2
- A-6A-T3
- A-6A-T4
- A-6B-T1
- A-6C-T1
- A-6D-T1
- PC-6A-T1
- PC-6A-T50
- PC-6B-T1
- PC-6D-T1

2.5 Like goods sold on the domestic market

The verification team was satisfied that PanAsia China sold like goods in the domestic market.

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

- **Physical likeness** – are not distinguished from the exported goods during production. The exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same;
- **Production likeness** – are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- **Commercial likeness** – the goods compete in similar market sectors, are interchangeable and use similar distribution channels; and
- **Functional likeness** – can be considered functionally alike, as they have similar end uses.

PanAsia China sold like goods on the domestic market with the following sales MCCs during the period:

- M-6A-O
- M-6A-T1
- M-6C-O
- M-6C-T1
- M-O-T1
- A-6A-O
- A-6A-T1
- A-6C-T1
- A-6D-T1
- PC-6A-T1
- PC-6C-T1

2.6 Like goods – assessment

The verification team considers that the goods produced by PanAsia China for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with section 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the Response to the Exporter Questionnaire (REQ) by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

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

- The verification team reconciled the value of total sales from the audited financial statements to income statements through the relevant trial balance accounts and the total amount of the sales ledger.
- The verification team reconciled the value and volume of all sub-categories of goods sold including sales of subject goods to the company's sales ledgers.
- The verification team reconciled the value and volume of subject goods to the domestic and Australian sales listings.

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
2	During the course of verification the verification team identified: <ul style="list-style-type: none"> • that the cost workshop information in the domestic sales listing was not consistent with the sales MCC data; and • that the customer names in the domestic sales listing were not translated into English. 	PanAsia China provided a final revised domestic sales listing with correct workshop data and the customer names translated into English.
3	The verification team identified that the cost workshop information in the Australian sales listing was not consistent with the sales MCC data;	PanAsia China provided a revised Australian sales listing with correct workshop data.

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4	The verification team identified that the sales listing denoted the sales between Opal and PAA as FOB and therefore did not include costs for ocean freight and insurance; however the commercial invoice included charges for ocean freight and insurance (as a separate line item).	PanAsia China provided a second revised Australian sales listing that was updated for all direct selling expenses, as well as reconciliation to source data. The verification team is satisfied that the prices in the sales listing are at FOB level of trade.
5	The verification team identified discrepancies in quantities between the original 'B-2 - Australian sales listing' and Australian sales of subject goods as per 'B-4 - Upwards sales reconciliation table'. The verification team, during downwards verification also identified discrepancies between B-2 and the shipping documents for some of the sampled transactions.	PanAsia China provided a third revised sales listing on 23 June with reconciliation to source documents. PanAsia China had compiled this sales listing to reconcile to its related Australian customer PAA's imports in the inquiry period. Due to timing differences between PAA imports and PanAsia China's invoice dates (date of sale) the verification team removed the transactions imported by PAA in the inquiry period where the date of sale preceded the inquiry period <u>and</u> added back the transactions exported by PanAsia China in the inquiry period that were imported by PAA post the inquiry period. This final sales listing, including the verification team's revisions, was utilised for Appendix 1.

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

4.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
6	The Australian sales listing included an unrelated Australian customer for a number of transactions. The verification team established after verifying sample transactions that for these transactions PanAsia China's related Australian customer PAA was in fact the customer and the importer.	The verification team has revised customer name on the final Australian sales listing and Appendix 1 to reflect that PAA was the sole Australian customer.
7	Based on the information provided, the verification team was unable to verify the payment terms (denoted as 'rolling balance' only) in days between PanAsia China and OPAL listed in the Australian sales listing. However, the verification team is satisfied that PanAsia China sold to OPAL with credit based on an analysis of accounts receivable ledgers.	The verification team revised all Australian sales to have the weighted average payment days calculated for the sales from PanAsia China to OPAL using PanAsia China's accounts receivable ledger for the period.
8	Based on the information provided, the verification team was unable to verify the delivery terms listed in the domestic sales listing.	The verification team revised all domestic sales to be EXW terms so that the net invoice value is not reduced by any amount of delivery costs when calculating profit of like goods in the ordinary course of trade.
9	Based on the information provided, the verification team was unable to verify the payment terms (in days) listed in the domestic sales listing. However, the verification team is satisfied that PanAsia China sold to domestic customers with credit based on an analysis of accounts receivable ledgers.	The verification team revised all domestic sales to have the weighted average payment days calculated using accounts receivable ledgers for sampled domestic sales.
10	Based on a price analysis of PanAsia China's domestic sales, the verification	The verification team removed sales to the related customer from the domestic

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	team considers that the price to a related customer appears to be influenced by a commercial relationship and did not reflect arms length transactions. Refer to section 8.1.1 for more information.	sales listing. Refer to section 8.1.1 for more information.
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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 PanAsia China, including the required amendments as outlined in the exception tables above, is accurate.

5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE
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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 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 the cost data as follows:

- The total cost of goods sold was identified in the audited financial statement, which equals the amount for the inquiry period.
- The total cost of goods sold was converted to production costs by adjusting for the change in finished goods inventory, and removing non-production related expenses.
- The total production cost and quantity, as well as the cost and quantity for each production workshop, was reconciled to the monthly production reports.
- Then the total and individual production workshop cost and quantity was reconciled to the CTMS information provided in the REQ.

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

- The total SG&A cost was identified in the audited financial statement, which equals the amount for the inquiry period.
- The total SG&A cost was reconciled to the trial balance and management accounts.
- The total SG&A cost was reconciled to the CTMS information provided in the REQ.

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

5.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
11	In calculating indirect domestic SG&A, PanAsia had included direct selling	The verification team revised the SG&A calculation by removing direct selling expenses.

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	expenses, including inland transport and Custom's declaration fee.	
12	The verification team identified that PanAsia China's calculation of indirect domestic SG&A included foreign exchange gains and losses. IN calculating the total SG&A to apply to domestic sales, PanAsia China did not define these items as 'yes' or 'no' for direct selling expenses, but had included them in the total SG&A calculation.	The verification team removed foreign exchange gains and losses from the calculation of domestic indirect SG&A on the basis that they do not relate to PanAsia China's domestic sales because: <ul style="list-style-type: none"> • PanAsia China's domestic sales of like goods are exclusively in RMB; and • In producing like goods for the domestic market, PanAsia China purchases all raw materials exclusively from China in RMB.
13	In calculating an SG&A rate for OPAL for the period, the total cost of sales was used as the denominator rather than total revenue.	The verification team revised the SG&A calculation for OPAL to use total revenue as the denominator.
14	The verification team identified that in calculating the total SG&A for OPAL, unrealised foreign exchange gains and losses were included.	In calculating SG&A for OPAL, the verification team considers it appropriate to remove unrealised foreign exchange gains and losses as these amounts were not actual expenses incurred by OPAL.

Table 5 Exceptions during verification of completeness and relevance of CTMS data

5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by PanAsia China, including the required amendments as outlined as exceptions above, is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY
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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 MCCs, in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Table 6 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	PanAsia China’s costing system is based on activity based costing with each production workshop capturing input and conversion costs. The verification team requested and verified production reports, inventory ledgers and purchase ledgers.
Scrap Allocation	Scrap is generated and recorded for most of the production workshops. Scrap recovery is valued based according to a proportion of a Chinese extrusion benchmark price. The verification team requested and verified production reports and inventory ledgers.
Manufacturing Overheads	PanAsia China’s costing system is based on activity based costing with each production workshop capturing manufacturing overheads costs. The verification team requested and verified production reports, inventory ledgers and purchase ledgers.
Labour	PanAsia China’s costing system is based on activity based costing with each production workshop capturing direct labour costs. The verification team requested and verified production reports and ledgers.
Depreciation	PanAsia China’s costing system is based on activity based costing with each production workshop capturing depreciation costs based on the straight line method. The verification team requested and verified production reports, ledgers, depreciation schedule and asset register.
Variance	Not applicable as PanAsia China records actual costs.

Table 6 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 identified the issue 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**.

6.3 Exceptions during verification of accuracy of CTMS data

No.	Exception	Resolution
15	<p>PanAsia China stated that it did not export particular anodised and powder coated goods to Australia during the inquiry period. Accordingly, PanAsia China had calculated the Australian CTM to exclude certain minor costs. However these formulas were not applied consistently to every month in the inquiry period in the Australian CTM listing.</p> <p>In relation to one particular type of anodised extrusion, the verification team found that it had been produced by PanAsia China and sold to Australia based on an assessment of packing lists for Australian sales samples. As such, the verification team considers that the material costs for that type of extrusion should be included in the Australian CTM.</p>	<p>PanAsia China provided a revised Australian CTM listing with correct costs for anodising and powder coating goods sold to Australia.</p> <p>The verification team then amended the Australian CTM listing to include the material costs for the particular anodised extrusion found to have been exported to Australia.</p>

Table 7 Exceptions during verification of accuracy of CTMS data

6.4 Related party suppliers

PanAsia China purchased the following materials from related party, PanAsia Industrial (Nanyang) Co., Ltd, during the inquiry period:

- Aluminium billet; and
- Aluminium extrusions.

PanAsia China consumes these materials supplied by the related party to produce goods and non-goods.

In relation to both aluminium billet and extrusions, the verification team tested purchase prices from the related party with unrelated suppliers. The verification team also evaluated a sales contract that sets out the terms for PanAsia China's purchases from the related party.

Based on the price analyses and sales contract, the verification team considers that PanAsia China's purchases from the related party reflect arms length transactions.

6.5 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by PanAsia China, including the required amendments as outlined as an exception above, is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

The verification team considers PanAsia China's sole Australian customer PAA to be the beneficial owner of the goods at the time of importation and therefore the importer, as the Australian customer:

- is named on the commercial invoice as the customer;
- is named as the consignee on the bill of lading,
- is declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

7.2 The exporter

The verification team considers PanAsia China to be the exporter of the goods², as PanAsia China is found to be the manufacturer of the goods who knowingly placed the goods in the hands of a related trader, OPAL, for delivery to Australia. Specifically, the verification team found that:

- OPAL is named on the commercial invoice as the supplier;
- OPAL is named as consignor on the bill of lading;
- OPAL arranges and pays for the inland transport to the port of export;
- OPAL arranges and pays for the port handling charges at the port of export;
- OPAL arranges and pays for the ocean freight and marine insurance;
- PanAsia China is named on the commercial invoice as the manufacturer; and
- PanAsia China is named as exporter and producer on the certificate of origin.

Therefore, subject to further inquiries, the verification team is satisfied that for all Australian export sales during the period PanAsia China was the exporter of the goods.

7.3 Arms length

7.3.1 Related party customers

In respect of PanAsia China's export sales of the goods to its related customer in Australia during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price; or

² 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.

- 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.³

However, the verification team found evidence that 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 as:

- PanAsia China, OPAL and PAA are all ultimately wholly owned by PanAsialum Holdings;
- PAA was the sole Australian purchaser of the goods; and
- the prices between PanAsia China and OPAL, and between Opal and PAA respectively, are artificially set.

The verification team therefore considers that export sales to Australia made by PanAsia China, through Opal, to its related customer during the period were not arms length transactions, pursuant to section 269TAA(1)(b).⁴

7.4 Export Price – assessment

In respect of Australian sales of the goods by PanAsia China, the verification team recommends that the export price cannot be determined under section 269TAB(1)(a). The verification team considers that the purchase of the goods by the importer was not an arms length transaction. As the goods were subsequently sold by the importer in the condition that they were imported, the verification team recommends that the export price be determined under section 269TAB(1)(b), being the price at which the goods were so sold by the importer less the prescribed deductions.

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

³ See section 269TAA(1)(c).

⁴ The Commission notes that the finding in this report that the export sales to Australia did not take place on an arms length basis relates to the assessment of export prices for anti-dumping purposes under section 269TAB. It is not an assessment of its transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

8 DOMESTIC SALES

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

8.1 Arms length

8.1.1 Related party customer

In respect of PanAsia China's domestic sales of like goods to its related customer during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁵

However, the verification team found evidence that 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 as:

- PanAsia China and the related customer are wholly owned by the same ultimate owner, PanAsialum Holdings;
- prices between PanAsia China and the related customer appear to be influenced by the commercial relationship based on a price analysis.

The verification team's price analysis took into account sales MCC, timing (by month) and level of trade. In the majority of cases where PanAsia China sold the same sales MCC to the related and unrelated customers at the same level of trade within the same month, the unit price was significantly lower for the related customer compared to unrelated customers. As such, the verification team considers that the price to the related customer appears to be influenced by a commercial relationship.

The verification team therefore considers that domestic sales made by PanAsia China to its related customer during the period were not arms length transactions, pursuant to section 269TAA(1)(b).⁶

⁵ See section 269TAA(1)(c).

⁶ The Commission notes that the finding in this report that the sales to domestic customers did not take place on an arms length basis relates to the assessment of export prices for anti-dumping purposes under section 269TAC. It is not an assessment of the exporter's transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

8.1.2 Unrelated customers

In respect of PanAsia China'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 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 PanAsia China 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.⁷

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.

⁷ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods 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).⁸

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment warranted?
Domestic credit terms	PanAsia China sold to domestic customers with credit.	Weighted average payment days based on the accounts receivable ledgers for the inquiry period from each sampled domestic sale. The interest rate applied was calculated based on PanAsia China's average short term borrowing rate for the inquiry period.	Yes	Yes
Domestic inland transport	As the constructed normal value is being calculated as the export cost to make and domestic SG&A at EXW terms, there are no relevant domestic inland transport costs to remove.	Not applicable for the purposes of a normal value adjustment.	No	No
Export credit for PanAsia China	The verification team found that PanAsia China's sales to OPAL included credit.	Weighted average payment days based on the accounts receivable ledger for PanAsia China's sales to OPAL during the inquiry period. The interest rate applied was calculated based on PanAsia China's average short term borrowing rate for the inquiry period.	Yes	Yes
Export packaging	The constructed normal value is based on the export cost to make that already incorporates export	Not applicable for the purposes of a normal value adjustment.	No	No

⁸ As the case 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.

PUBLIC RECORD

	packaging expenses. As such, an adjustment for export packaging is not required.			
Export inland transport	OPAL incurred Export inland transport expenses in facilitating the export of the goods to Australia.	Based on Opal's total export inland transport expenses for exports to Australia allocated by weight.	Yes	Yes
Export port charges	OPAL incurred Export port charges in facilitating the export of the goods to Australia.	Based on Opal's total export port charges expenses for exports to Australia allocated by weight.	Yes	Yes
Trader (OPAL) SG&A	OPAL incurred SG&A expenses in facilitating the export of the goods to Australia.	The verification team calculated OPAL's total SG&A expenses during the inquiry period, excluding direct selling expenses relating to inland transport and port charges. Then the verification team calculated an SG&A percentage rate by dividing the total SG&A expense by OPAL's total net company revenue during the inquiry period.	No	Yes
Trader (OPAL) profit	In facilitating the export of the goods to Australia, the verification team considers that OPAL would aim to achieve a profit on these sales.	The verification team has calculated and applied the amount of profit achieved by OPAL on its exports of the goods to Australia during the inquiry period.	No	Yes
Export credit for OPAL	The verification team found that OPAL's sales to Australia included credit.	Weighted average payment days based on the accounts receivable ledgers for the inquiry period from each sampled Australian sale. The verification team considers that PanAsia' China's average short term borrowing rate for the inquiry period reasonably reflects an interest rate for the purpose of calculating OPAL's credit cost.	No	Yes
Non-refundable VAT	The cost of non-refundable VAT was incurred on Australian sales for the first quarter (January to	The cost of non-refundable VAT was calculated for the relevant tariff codes based on the difference between the export VAT rate and the VAT	Yes	Yes

	March 2019), but no cost was incurred for the remainder of the inquiry period.	rebate rate. The adjustment was applied to sales made during January to March 2019.		
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Table 8 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.

Adjustment Type	Deduction/addition
Domestic credit	Deduct an amount for domestic credit cost
Export credit for PanAsia China	Add an amount for the credit cost of PanAsia China's sales to OPAL
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges
Trader (OPAL) SG&A	Add an amount for the trader's SG&A expenses
Trader (OPAL) profit	Add an amount for the trader's profit
Export credit for OPAL	Add an amount for the credit cost of OPAL sales to Australia
Non-refundable VAT	Add an amount for non-refundable VAT

Table 9 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 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 PanAsia China 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 audited financial statements.

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

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 issue 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**.

12.3.1 Exceptions during verification of financial grants listing

No.	Exception	Resolution
16	In the grants listing, PanAsia China described one grant as being attributable to 2017 rather than the inquiry period, and therefore should be removed from the grants listing.	Based on the bank receipt and non-operating income ledger, the verification team found that the date that the grant amount was received and entered into the accounting ledger was within the inquiry period. Therefore, the verification team is satisfied that the grant amount is relevant to the inquiry period and has not removed it from the grants listing.

Table 10 Exceptions during verification of financial grants listing

12.4 Preferential interest rate/loans

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

12.5 Subsidy margin

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

- Program 15 – Aluminium provided at less than adequate remuneration;
- Program 83 – Enterprise R&D subsidy;
- Program 84 – Patent supporting fund;
- Program 88 – Industry technology R&D fund;
- Program 89 – Technology innovation fund;
- Program 90 – Social security subsidy from Zengcheng;
- A new program – Subsidy from Guangzhou Industry and Information Technology.

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 PanAsia China during the investigation period to be **0.4 per cent**.

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

13 APPENDICES AND ATTACHMENTS

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