



Exporter Verification Report

Verification & Case Details

Initiation Date	27/05/2020	ADN:	2020/050
Case Number	553		
The goods under consideration	Painted Steel Strapping		
Case type	Dumping and Subsidy Investigation		
Exporter	Sam Hwan Vina Co Ltd		
Location	Remote verification		
Investigation Period	1/04/2019 to 31/03/2020		

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

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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

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

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

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

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Sam Hwan Vina Co. Ltd. (Sam Hwan) is majority owned by Sam Hwan Steel Co. Ltd, with another related party customer owning the remaining shares. None of these companies are listed on any stock exchanges.

Sam Hwan produce steel strapping and plastic strapping bands for use on fully automatic strapping machines and pneumatic strapping tools.

1.2 Related Parties

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

1.2.1 Related customers

Sam Hwan sells the goods to one related domestic customer.

1.2.2 Related suppliers

Sam Hwan purchases raw material to produce the goods from two related suppliers.

1.3 Accounting records

Sam Hwan's audited financial statement was audited by S&S Auditing and Consulting and includes a statement that the financial accounts comply with the Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, and statutory requirements relevant to preparation and presentation of the financial statements.

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

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Sam Hwan outlined the stages of production as follows.

- Production plan is passed from production manager to team leader
- Team leader prepares raw materials for workers
- Team leader checks inventory, inspects raw materials and records results
- Team leader changes product knife according to production plan
- Workers operate cutting machines according to production plan
- Workers operate welding machines to connect rolls together
- Semi-product deburred through deburring machine
- Semi-product blued, adjusting for temperature and speed to create different products
- Strap is cooled and cleaned before painting
- Painting of semi-products in production line
- Semi-product dries at approx. 300C
- Solvent waxing of semi-product
- Drying of solvent waxing to prevent rusting (220C)
- Semi-products winded through winding machine as required by production plan
- Sampled by Quality Control for inspection prior to packing
- Packed by workers with consideration to size and number of pallets
- Records maintained throughout

This is the same for the goods exported to Australia and like goods sold on the domestic market.

2.2 Model Control Codes (MCCs)

Sam Hwan provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/050.

Sales and cost data were provided to the mandatory MCC level.

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.

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Category	Determination of the sub-category
Hot rolled coil carbon content	Determined with reference to the specifications in the Mill Test Certificates
Width	Determined with reference to the nominal width shown on the commercial invoices
Thickness	Determined with reference to the nominal thickness shown on the commercial invoices
Break force	Determined with reference to the specifications in the Mill Test Certificates
Metres per kilogram	Determined with reference to calculation method.
Coil winding	Optional category – not completed

Table 1 MCC sub-category determination

2.4 The goods exported to Australia

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

- C1-W1-T1-B1-L
- C1-W2-T1-B1-L
- C1-W3-T1-B1-L
- C1-W3-T1-B2-L
- C1-W3-T2-B2-M
- C1-W4-T2-B3-M

2.5 Like goods sold on the domestic market

The verification team was satisfied that Sam Hwan 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;
- Compete in the same market sector, are interchangeable and use similar distribution channels; and

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- Can be considered functionally alike, as they have similar end uses.

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

- C1-W1-T1-B1-L
- C1-W2-T1-B1-L
- C1-W3-T1-B1-L
- C1-W3-T1-B2-L
- C1-W3-T1-B2-M
- C1-W3-T2-B2-M
- C1-W4-T1-B2-M
- C1-W4-T1-B3-M
- C1-W4-T2-B3-M
- C1-W4-T2-B3-S
- C1-W4-T2-B4-S
- C2-W4-T1-B3-M
- C2-W4-T2-B3-S
- C2-W4-T2-B4-S

2.6 Like goods – assessment

The verification team considers that the goods produced by Sam Hwan 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 Act.

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 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:

- Sam Hwan's sales revenue for the relevant period was reconciled to audited financial reports, quarterly income statements, and trial balance;
- Sam Hwan's trial balance reconciled to a detailed sales ledger;
- The detailed sales ledger was reconciled to the domestic and export sales listing submitted in the REQ; and,
- Relevant exports to Australia were reconciled to the ABF import database.

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

3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Sam Hwan 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
#1	The invoice dates for a small number of sales listed the incorrect year.	The verification team updated the dates manually with information from the accounts receivable ledger.
#2	The payment terms in the original domestic sales listing did not reconcile with source documents.	The verification team sought, and was provided, the accounts receivables ledger. The company also provided an updated sales listing with the payment date listed against each invoice. These dates reconciled to the source documents provided.
#3	Sam Hwan incurred bank charges for exports, but the Australian sales listing did not include bank charges.	Sam Hwan revised the Australian sales listing to include bank charges, allocated on an actual basis by invoice value.

Table 2 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

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

- Sam Hwan provided its audited financial report for 2019 and its income statement for 2019 and the first quarter of 2020. The cost of sales in the income statement, which was allocated on a quarterly basis for the period, matched the audited financial statement. As Sam Hwan presented the income statement in quarters, the verification team was able to determine the cost of sales for the investigation period. For each income statement, Sam Hwan provided screenshots from its accounting system.
- Sam Hwan reported variances between the cost of goods sold in the income statement and the cost of production. For each variance, Sam Hwan provided ledgers and screenshots.
- Sam Hwan provided the spreadsheets behind its CTM listing. Sam Hwan allocated costs to each category of products manufactured during the investigation period. The data behind the spreadsheets are directly from Sam Hwan's accounting system.

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

- The SG&A listing for the accounting period matched the audited financial statements. The verification team verified the expenses in the investigation period to the ledgers.

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
#4	Scrap was valued at the cost of steel.	Sam Hwan amended its CTM listing to reflect the revenue of scrap.
#5	Sam Hwan's manufacturing overheads allocation for April 2019 did not match the ledgers.	The verification team amended the figure for April 2019 to match the ledgers.
#6	The SG&A listing provided by Sam Hwan did not include financial expenses. The SG&A listing was also incorrectly labelled.	Sam Hwan added the financial expenses to the SG&A listing and updated the labels.
#7	The SG&A listing included indirect expenses that related solely to exports.	The verification team removed these expenses from the SG&A listing.

Table 3 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 REQ by Sam Hwan, including any required amendments as outlined as an exception 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 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**.

Table 4 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs are allocated based on production quantity. Ledgers were examined.
Scrap Allocation	Scrap is allocated based on production quantity. Ledgers were examined.
Manufacturing Overheads	Manufacturing overheads costs are allocated based on production quantity. Ledgers were examined.
Labour	Labour costs are allocated based on production quantity. Ledgers were examined.
Depreciation	Depreciation costs are allocated based on production quantity. Ledgers were examined.

Table 4 Cost allocation method

6.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
#8	The Cost to Make spreadsheet provided by Sam Hwan in its REQ allocated costs based on average selling price. The verification team requested Sam Hwan reallocate its cost to make spreadsheet based on the production quantity.	Sam Hwan reallocated its cost to make according to production quantity.
#9	Sam Hwan allocated labour to each product it manufactured over the investigation period with no distinction for departments.	Sam Hwan amended its CTM listing and allocated labour costs in line with the department of each worker.

Table 5 Exceptions during verification of CTMS allocation method

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 REQ by Sam Hwan, 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 Sam Hwan's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer as the customer is:

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

In relation to the goods exported by Sam Hwan to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

7.2 The exporter

The verification team considers Sam Hwan to be the exporter of the goods², as Sam Hwan is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- responsible for arranging and paying for the inland transport to the port of export;
- responsible for arranging and paying for the port handling charges at the port of export; and
- responsible for arranging and paying for the ocean freight and marine insurance.

The verification team is satisfied that for all Australian export sales during the period that Sam Hwan was the exporter of the goods.

7.3 Arms length

7.3.1 Unrelated customers

In respect of Sam Hwan's Australian sales of the goods to its unrelated customers during the period, the verification team found no evidence that:

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.

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- 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 directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all export sales made by Sam Hwan to its unrelated Australian customers during the period were arms length transactions.

7.4 Export Price – assessment

In respect of Australian sales of the goods by Sam Hwan, the verification team recommends that the export price be determined under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

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

³ Section 269TAA refers.

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 customers

In respect of Sam Hwan'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.⁴

However, the verification team found evidence that 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 as:

- Sam Hwan is partly owned by its related customer; and
- Unit prices were consistently lower for sales to Sam Hwan's related customer in comparison to sales made to unrelated customers.

The verification team therefore considers that domestic sales made by Sam Hwan to its related customer during the period were not arms length transactions, pursuant to section 269TAA(1)(b) and the sales have been removed from the domestic sales listing.⁵

8.1.2 Unrelated customers

In respect of Sam Hwan'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

⁴ See section 269TAA(1)(c).

⁵ 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.

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- 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 Sam Hwan 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.⁶

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 Sam Hwan's 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 Sam Hwan's 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.

⁶ 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 exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments may be necessary.

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	Credit terms are different between export and domestic sales.	The domestic credit rate is based on Sam Hwan's short term borrowing rate applied to the actual domestic payment terms.	Yes	Yes
Domestic inland transport	Sam Hwan incurred inland transport costs for domestic sales.	Weighted average unit value based on the total inland transport and invoice quantity.	Yes	Yes
Domestic commission	Commission is paid by Sam Hwan for all domestic sales.	Weighted average unit commission based on total domestic commission applied to the invoice value.	Yes	Yes
Domestic sale allowance	Sam Hwan claimed that a sale allowance should be applied for certain products, e.g. defective products, incorrect prices charged or where a lower delivered quantity is provided to domestic customers.	The verification team has not applied an adjustment for "sales allowance". Where variations were made to the invoiced selling prices, these have been applied directly to the invoice value of the relevant sales, to obtain the net invoice value for those sales.	Yes	No
Export inland transport	Delivery terms for Australian sales include delivery to the port	Weighted average unit value based on the total inland transport and invoice quantity.	Yes	Yes
Export port handling charges	Delivery terms for Australian sales include port handling	Weighted average unit value based on the total port handling charges and invoice quantity.	Yes	Yes
Export bank charges	Bank charge paid on export sales.	Actual bank charges applied over invoice quantity.	No	Yes

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Export commission	Commission is paid by Sam Hwan for all export sales.	Weighted average unit commission based on total export commission applied to the invoice value.	Yes	Yes
Export sale allowance	Sale allowance for defected products, incorrect prices charged or lower delivered quantity is provided to export customers where relevant.	The verification team is not applying an adjustment for sales allowance, as it is not considered a direct selling expense. It is instead deducted from the invoice value of the relevant sales.	Yes	No
Export credit terms	Credit terms are different between export and domestic sales.	The export credit rate is based on Sam Hwan's short term borrowing rate applied to the actual export payment terms.	Yes	Yes

Table 6 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments 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 terms	Deduct an amount for domestic credit
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic commission	Deduct an amount for domestic commission
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for port handling charges
Export commission	Add an amount for export commission
Export bank charges	Add an amount for export bank charges
Export credit terms	Add an amount for export credit terms

Table 7 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, in the event the normal value is determined under section 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9) are necessary to ensure that normal values are properly comparable with export prices.

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 Sam Hwan 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 APPENDICES AND ATTACHMENTS

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