



Exporter Verification Report

Verification & Case Details

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|--------------------------------------|-----------------------------------|-------------|------------|
| Initiation Date | 13/07/2020 | ADN: | 2020/71 |
| Case Number | 557 | | |
| The goods under consideration | Copper tube | | |
| Case type | Dumping and Subsidy Investigation | | |
| Exporter | Zhejiang Hailiang Co., Ltd | | |
| Location | Virtual verification | | |
| Verification from | 12/05/2021 | to | 20/05/2021 |
| Investigation Period | 1/07/2019 | to | 30/06/2020 |

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 sections 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

Zhejiang Hailiang Co., Ltd. (Zhejiang Hailiang) is a Chinese company that manufactures and sells copper tubes, copper rods, copper pipefitting and copper-aluminium composite conductors. It is publicly listed on the Shenzhen stock exchange; its majority shareholder is Hailiang Group Co., Ltd, which is a private entity.

Zhejiang Hailiang exports through Hong Kong Hailiang Metal Trading Limited, (HK Hailiang) which is 100% directly owned by Zhejiang Hailiang.

Zhejiang Hailiang is a fully integrated company and the entire manufacturing process is conducted under one company.

1.2 Related Parties

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

1.2.1 Related suppliers

The verification team found that Zhejiang Hailiang had sourced raw materials from a number of related party suppliers during the investigation period. HK Hailiang is fully owned by Zhejiang Hailiang and was the only related party that supplied Zhejiang Hailiang with raw materials for production of the exported goods. All other related suppliers provided raw materials for the production of goods sold on the domestic market.

1.2.2 Related customers

The verification team found that Zhejiang Hailiang had exported the goods to related export customer Hailiang Copper Australia Pty Ltd during the investigation period. Hailiang Copper Australia Pty Ltd is a wholly owned subsidiary of Zhejiang Hailiang.

On the domestic market, a very small proportion of like goods were sold by Zhejiang Hailiang to a wholly owned related party, Zhejiang Keyu Metal Materials Co., Ltd.

1.3 Accounting records

Zhejiang Hailiang's audited financial statements were audited by Wuyige Certified Public Accountants LLP and includes a statement that the financial accounts comply with the regulation in the Auditing Standard of Chinese Certified Public Accountants.

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

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Zhejiang Hailiang outlined the production process stages as follows:

1. Preparing raw materials
2. Smelting raw materials
3. Cutting
4. Extrusion
5. Drawing/Rolling/Annealing
6. Cleaning
7. Crave mark/Annealing/Lagging
8. Packing

2.2 Model Control Codes (MCCs)

Zhejiang Hailiang 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. 2020/71.

In its REQ, Zhejiang Hailiang proposed the exclusion of the MCC category ‘capping’ from the MCC structure. Zhejiang Hailiang claimed that its production system recorded costs based on material codes and this made identifying capping costs relating to the MCC structure difficult.

Zhejiang Hailiang claimed that the capping category does not form part of its price negotiations.

2.2.1 Amendments to MCCs

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

| No. | Exception | Resolution |
|------------|---|---|
| 1 | Zhejiang Hailiang submitted that capping does not affect its selling prices and therefore should not form part of its MCC structure. The verification team undertook an analysis and found that capping did not have an effect on prices. | The verification team amended the MCC to exclude the capping category from the MCC structure. All the remaining MCC categories and subcategories remain the same. |

Table 1 Amendments to the MCC

2.3 Verification of MCCs

Table 2 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 |
|------------------------------|--|
| Standard | The verification team was able to verify the standard of the products in domestic and export sales listing having regard to relevant commercial sales documents and transaction narrations in Zhejiang Hailiang's records. |
| Temper | The verification team was able to verify the tempering of the products in domestic and export sales listing having regard to relevant commercial sales documents and transaction narrations in Zhejiang Hailiang's records. |
| Lagging | The verification team was able to verify whether the products were lagged or unlagged in domestic and export sales listing having regard to relevant transaction narrations in Zhejiang Hailiang's records. |
| Form | Only straights are the goods as coils are annealed and anneal products are excluded in the goods description. The verification team was able to verify the form of the products in domestic and export sales listing having regard to relevant transaction narrations in Zhejiang Hailiang's records and commercial records. |
| Finned or internally grooved | Internally grooved tube are not the goods as it is only produced in a coil form. The verification team was able to verify that all products were plain in the domestic and export sales listing having regard to relevant transaction narrations in Zhejiang Hailiang's records. |

Table 2 MCC sub-category determination

2.4 The goods exported to Australia

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

| Australian MCCs | | |
|-----------------|-------------|-------------|
| P-B-U-U-S-P | P-B-U-C-S-P | R-B-U-C-S-P |
| P-B-L-U-S-P | P-H-U-C-S-P | E-H-U-U-S-P |
| P-H-U-U-S-P | P-B-L-C-S-P | E-S-U-U-S-P |
| R-H-U-C-S-P | R-H-U-U-S-P | R-S-U-C-S-P |

Table 3 Australian MCCs

2.5 Like goods sold on the domestic market

The verification team was satisfied that Zhejiang Hailiang 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 physically alike – the exported and domestically sold goods are produced in the same way and look alike.

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- have production likeness – the goods in both markets are produced at the same facilities and have the same manufacturing process. However, there is a difference in the cost of production as Zhejiang Hailiang utilises the ‘import processing scheme’ for the raw material inputs in the manufacture of exported goods, while for domestic goods it uses domestic priced raw materials.
- are commercially alike – the goods can compete in the same market sector because they are interchangeable. However, due to tax considerations, Zhejiang Hailiang does not sell the goods produced for export on the domestic market. Aside from the tax considerations, the goods are interchangeable and use similar distribution channels.
- are functionally alike – in that the exported goods and goods sold domestically have similar end uses.

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

| Domestic MCCs | | | |
|---------------|-------------|-------------|-------------|
| E-H-U-U-S-P | P-H-L-U-S-P | P-B-U-U-S-P | R-S-U-C-S-P |
| R-B-U-U-S-P | R-H-U-C-S-P | E-B-U-U-S-P | P-S-U-U-S-P |
| R-H-U-U-S-P | E-H-U-C-S-P | E-B-U-C-S-P | P-S-U-C-S-P |
| P-H-U-U-S-P | P-H-U-C-S-P | P-B-L-U-S-P | E-S-U-U-S-P |
| R-B-U-C-S-P | P-B-U-C-S-P | R-S-U-U-S-P | E-S-U-C-S-P |

Table 4 Domestic MCCs

2.6 Like goods – assessment

The verification team considers that the goods produced by Zhejiang Hailiang 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).

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 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:

- Calculated the total company revenue for the investigation period using the 2019 full year audited financial statements and the year to date revenue amounts in the trial balances for June 2019 and June 2020.
- Reconciled the total sales values for the investigation period to sales reports extracted from Zhejiang Hailiang’s accounting system.
- Reconciled the total sales value and volume of the goods and like goods in the sales reports to the Australian and domestic sales listings respectively.

The verification team identified an 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**.

3.1 Exceptions during verification of sales completeness and relevance

| No. | Exception | Resolution |
|-----|---|---|
| 2 | The verification team identified a number of third country sales in the Australian sales listing. | These third country sales were removed from the Australian sales listing. |

Table 5 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 Zhejiang Hailiang 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 |
|------------|--|--|
| 3 | Zhejiang Hailiang incorrectly reported the gross invoice value for one transaction in the Australian Sales B-2 workbook. | Zhejiang Hailiang provided an updated B-2 Australian Sales listing with the correct gross invoice amount. |
| 4 | Zhejiang Hailiang incorrectly reported the date of sale for a number of transactions in the Australian Sales B-2 workbook. | Zhejiang Hailiang provided an updated B-2 Australian Sales listing with correct dates. |
| 5 | Zhejiang Hailiang incorrectly reported the payment days for a number of transactions in the Domestic Sales D-2 listing. | Zhejiang Hailiang provided updated D-2 Domestic Sales listing with the corrected payments days. |
| 6 | Zhejiang Hailiang incorrectly reported two long term loans in the short term loans listing. | The verification team removed the two loans from the short term loan listing resulting in a revised short term borrowing rate. |
| 7 | Zhejiang Hailiang inadvertently used the incorrect VAT rate when calculating the VAT exclusive warehousing expense for certain domestic sales. | The warehousing expense was updated to use the correct VAT rate when calculating the VAT exclusive amount. |

Table 6 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Zhejiang Hailiang, 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 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 (CTM) 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:

- Calculated the cost of goods sold for the investigation period using the 2019 full year audited financial statements and the year to date cost of goods sold amounts in the trial balances for June 2019 and June 2020.
- Calculated the cost of production for the investigation period from cost reports extracted from Zhejiang Hailiang’s accounting system.
- Reconciled the total cost of production from the cost reports to the CTM worksheets submitted in the REQ.

The verification 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 |
|-----|--|---|
| 8 | Zhejiang Hailiang did not include finance expenses in the SG&A listing. | Zhejiang Hailiang provided an updated SG&A listing containing the finance expenses. |
| 9 | The electricity expense for the investigation period showed a negative amount. This was due to an incorrect entry booked during the investigation period, which was subsequently corrected outside the investigation period. | The verification team recalculated the electricity expense by removing the incorrect entry. |
| 10 | Zhejiang Hailiang included commission costs, which is a direct selling expense, in its SG&A calculation. | The verification team categorised commission costs as a direct selling expense and has excluded it from the SG&A calculation. |

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| | | |
|----|--|---|
| 11 | A certain social security account showed a negative amount for the investigation period. This was due to entries to put into effect updates to the GAAP. | The verification team excluded these negative amounts from the domestic SG&A calculation. |
|----|--|---|

Table 7 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 Zhejiang Hailiang, including any required amendments as outlined as an exception above, is complete and relevant.

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, 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 8 outlines the allocation method applied to each cost item.

| Cost item | Method applied |
|-------------------------|---|
| Raw Materials | Raw material costs are allocated based on production quantity. |
| Manufacturing Overheads | Actual costs relevant to the activity and allocated based on quantity. |
| Labour | Actual costs relevant to the activity and allocated based on quantity. |
| Depreciation | Depreciation expenses relevant to the activity and allocated based on quantity. |
| Scrap Allocation | Allocated based on quantity. |

Table 8 Cost allocation method

6.2 Exceptions during verification of CTMS allocation method

| No. | Exception | Resolution |
|------------|---|--|
| 12 | In G-3 domestic CTM and G-5 export CTM workbooks submitted as part of the REQ, Zhejiang Hailiang included the capping costs in manufacturing overheads resulting in capping costs being allocated to each MCC equally without regard to the different mixes of products with capping in each MCC. | Zhejiang Hailiang revised the Domestic and Australian CTM workbooks having regard to the actual quarterly cost of capping for each relevant MCC listed separately. |

Table 9 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.

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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 Related party suppliers

The verification team established that Zhejiang Hailiang sourced raw materials from related party suppliers for the production of the goods during the investigation period.

The verification team observed that Zhejiang Hailiang's raw material purchases listing provided at G-7.4 of its REQ accurately reflected its accounting records and the supporting documentation for a selection of transactions.

The verification team examined the purchase prices from the related party suppliers with unrelated suppliers. The verification team also evaluated a sales contract that sets out the terms for Zhejiang Hailiang's purchases from a related party.

Based on the price analysis and the examination of the sales contract, the verification team considers that Zhejiang Hailiang's purchases from its related parties reflect arms length transactions.

Subject to any information that suggests otherwise, for the purpose of this report, Zhejiang Hailiang's purchases of raw materials from related party suppliers have been considered as arms length transactions.

The Commission will further assess whether these cost items represent competitive market costs as the case continues.

6.5 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by Zhejiang Hailiang, including any 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

In relation to the goods exported by Zhejiang Hailiang via HK Hailiang, the verification team considers Zhejiang Hailiang's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer on the basis that the customer:

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

7.2 The exporter

The verification team considers Zhejiang Hailiang to be the exporter of the goods, as Zhejiang Hailiang is:

- the manufacturer of the goods;
- named on the commercial invoice to HK Hailiang (the intermediary) as the supplier;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight and marine insurance.²

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

7.3 Arms length

7.3.1 Zhejiang Hailiang transactions with HK Hailiang

In respect of Zhejiang Hailiang's export sales of the goods to HK Hailiang, the verification team considers that the price appeared to be influenced by a commercial or other relationship between the buyer and the seller. The verification team found that HK Hailiang's margin in relation to these sales was insufficient to cover its SG&A expenses. Therefore, the verification team considers that the transactions between Zhejiang Hailiang and HK Hailiang were not arms length transactions.

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.

7.3.2 HK Hailiang transactions with Hailiang Australia

In respect of HK Hailiang's export sales of the goods to its related customer in Australia, Hailiang 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 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 compared HK Hailiang's unit prices to related and unrelated customers in Australia. This analysis did not suggest that prices were influenced by the relationship between HK Hailiang and Hailiang Australia.

The verification team therefore considers that HK Hailiang sales of the goods to Hailiang Australia were arms length transactions.

7.3.3 Unrelated customers

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

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

The verification team therefore considers that HK Hailiang sales of the goods to its unrelated Australian customers were arms length transactions.

7.4 Export Price – assessment

In respect of Australian sales of the goods by Zhejiang Hailiang's, 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).

³ Section 269TAA refers.

⁴ Section 269TAA refers.

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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 based on the price paid by the importer less an amount of HK Hailiang's SG&A costs and other prescribed deduction for costs arising after exportation.

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

8 DOMESTIC SALES

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

8.1 Arms length

8.1.1 Related party customers

In respect of Zhejiang Hailiang'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 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.⁵

The verification team compared the domestic quarterly weighted average unit selling prices for MCCs of related and unrelated customers. The verification team found that the related party customer purchased a minor volume of the goods during the investigation period and paid a slightly higher price compared to the unrelated customers.

Based on the above assessment, the verification team considers that all domestic sales made by Zhejiang Hailiang to its related customer during the period were arms length transactions.

8.1.2 Unrelated customers

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

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

⁵ Section 269TAA refers.

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The verification team therefore considers that all domestic sales made by Zhejiang Hailiang to its unrelated domestic customers during the period were arms length transactions.

8.2 Ordinary course of trade

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 Zhejiang Hailiang'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 applicant 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)). Moreover, the application has claimed that Zhejiang Hailiang'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.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at Free on Board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8) and 269TAC(9).⁶

9.1 Rationale and Method

| Adjustment type | Assessment for adjustment | Calculation method and evidence | Claimed in REQ? |
|------------------------------|--|--|------------------------|
| Domestic credit terms | Zhejiang Hailiang sold to certain domestic customers with credit terms. | The verification team used the interest rate based on Zhejiang Hailiang's average short term borrowing rate for the investigation period and payment days as listed in the domestic sales listing. | Yes |
| Domestic inland transport | Zhejiang Hailiang incurred delivery costs for certain domestic sales. | Zhejiang Hailiang provided actual domestic delivery expenses on a line by line basis. | Yes |
| Domestic packaging | Zhejiang Hailiang incurred packing costs for domestic sales. | Zhejiang Hailiang provided actual domestic packaging expenses on a line by line basis. In calculating the packaging cost, the verification team excluded capping costs. | Yes |
| Domestic warehousing | Zhejiang Hailiang incurred warehousing costs for certain domestic sales. | Zhejiang Hailiang calculated the warehousing expenses for the relevant domestic sales. | Yes |
| Export packaging | Zhejiang Hailiang incurred packing costs for export sales. | The verification team applied the weighted average export packaging expense over the investigation period. In calculating the packaging cost, the verification team excluded capping costs. | Yes |
| Export inland transport | Zhejiang Hailiang incurred inland transport expenses for export sales. | The verification team applied the weighted average export inland transport expense over the investigation period. | Yes |
| Export port handling charges | Zhejiang Hailiang incurred port handling charges for export sales. | The verification team applied the weighted average export port handling charges over the investigation period. | Yes |
| Export commission | Zhejiang Hailiang pays commission for certain export sales. | The verification team applied the weighted average export commission expense over the investigation period. | Yes |

⁶ 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

| | | | |
|---------------------|---|--|-----|
| Export credit terms | Zhejiang Hailiang sold to certain Australian customers with credit terms. | The verification team used the interest rate based on Zhejiang Hailiang's average short term borrowing rate for the investigation period and the weighted average export payment days. | Yes |
| Non-refundable VAT | No adjustment required. | Zhejiang Hailiang did not pay VAT for exports to Australia during the investigation period. | No |

Table 10 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) / 269TAC(9) are necessary to ensure that the normal value so ascertained is properly comparable 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 packaging | Deduct an amount for domestic packaging |
| Domestic warehousing | Deduct an amount for domestic warehousing |
| Export packaging | Add an amount for export packaging |
| 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 commissions |
| Export credit terms | Add an amount for export credit terms |

Table 11 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) (see section 269TAC(2)(a)(ii)). Where section 269TAC(2)(a)(ii) is applicable, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is applicable. 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 as outlined in chapter 9 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 Zhejiang Hailiang 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 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**.

12.1.1 Exceptions during verification of raw material purchase listing

| No. | Exception | Resolution |
|-----|---|---|
| 13 | The raw materials purchase listing did not contain importation costs relevant to the purchases of imported raw materials. There were also some errors identified in the delivery costs. | Zhejiang Hailiang provided an updated raw materials purchase listing containing all the importation costs and corrected the delivery costs. |

Table 12 Exceptions during the verification of raw material purchase listing

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 considers that Zhejiang Hailiang did not receive benefit from any preferential tax policies.

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

Zhejiang Hailiang in its REQ, has stated that it does not challenge the countervailability of any programs listed in the REQ.

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 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**.

12.4 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 has not determined, as part of the verification process, if Zhejiang Hailiang had received a benefit in relation to subsidy programs. As such the verification team has not calculated a subsidy margin. The calculation of the subsidy margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.

If the subsidy programs are found to be countervailable, the verification team recommends that its attribution and allocation to the goods as follows:

| Program name | Attribution and allocation of the subsidy |
|--|---|
| Raw material provided at less than adequate remuneration | This program should be attributed to the general category of goods and allocated to the goods based on the production volume over the period. |
| Financial grants | Financial grants should be attributed to either export sales or the whole company depending on the nature of the grant and allocated to the goods based on revenue over the period. |
| Preferential interest rates/loans | This program should be attributed to the whole company and allocated to the goods based on the revenue over the period. |

Table 13 Attribution and allocation of subsidies

13 APPENDICES AND ATTACHMENTS

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