



Exporter Verification Report

Verification & Case Details

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Case type	Continuation Inquiry		
Exporter	PMB Aluminium Sdn Bhd		
Verification type	Virtual verification		
Verification from	22/11/2021	to	8/12/2021
Inquiry Period	1/07/2020	to	30/06/2021

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WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

CONTENTS

CONTENTS	2
PREFACE	4
1 COMPANY BACKGROUND	5
1.1 CORPORATE STRUCTURE AND OWNERSHIP	5
1.2 RELATED PARTIES	5
1.3 ACCOUNTING RECORDS	5
2 THE GOODS AND LIKE GOODS	6
2.1 PRODUCTION PROCESS	6
2.2 MODEL CONTROL CODES (MCCs)	6
2.3 VERIFICATION OF MCCS	8
2.4 THE GOODS EXPORTED TO AUSTRALIA	8
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....	8
2.6 LIKE GOODS – ASSESSMENT.....	9
3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	10
3.1 SALES COMPLETENESS AND RELEVANCE FINDING.....	10
4 VERIFICATION OF SALES ACCURACY	11
4.1 EXCEPTIONS DURING VERIFICATION OF SALES ACCURACY	11
4.2 SALES ACCURACY FINDING	12
5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE	13
5.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA	13
5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA.....	13
6 VERIFICATION OF CTMS ACCURACY	14
6.1 COST ALLOCATION METHOD	14
6.2 VERIFICATION OF ACCURACY OF CTMS DATA	14
6.3 RELATED PARTY SUPPLIERS.....	14
6.4 ACCURACY FINDING.....	15
7 EXPORT PRICE	16
7.1 THE IMPORTER	16
7.2 THE EXPORTER AND INTERMEDIARY	16
7.3 ARMS LENGTH.....	17
7.4 EXPORT PRICE – ASSESSMENT	21
8 DOMESTIC SALES	22
8.1 ARMS LENGTH.....	22
8.2 LEVEL OF TRADE.....	22
8.3 ORDINARY COURSE OF TRADE	23
8.4 VOLUME OF RELEVANT SALES	23
9 ADJUSTMENTS	25
9.1 RATIONALE AND METHOD	25
9.2 ADJUSTMENTS	26
10 NORMAL VALUE	27
11 DUMPING MARGIN	28
12 SUBSIDIES	29

PUBLIC RECORD

12.1	LESS THAN ADEQUATE REMUNERATION	29
12.2	TAX BENEFITS	29
12.3	FINANCIAL GRANTS	29
12.4	PREFERENTIAL INTEREST RATE/LOANS	29
12.5	SUBSIDY MARGIN	30
13	APPENDICES AND ATTACHMENTS.....	31

PREFACE

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by PMB Aluminium Sdn Bhd for Continuation Inquiry 591. This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 591.

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 *Customs Act 1901*, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

PMB Aluminium Sdn Bhd (PMBA) is a Malaysian registered company, incorporated on 25 August 2019. PMBA initially operated under its original name PMB (Klang) Sdn Bhd (PMBK). PMBA changed its name from PMBK to PMBA in August 2020.

PMBA is a wholly owned subsidiary of Press Metal International (HK) Limited (PMIHK). Both are entities within a larger corporate group for which the holding company is Press Metal Aluminium Holding Berhad (PMAH).

PMBA sells aluminium extrusions (the goods) in its domestic market and to various countries around the world.

With respect to PMBA's sales in its domestic market, PMBA sells the goods from its production facility located in the city of Klang.

PMBA exported the goods to Press Metal Aluminium (Australia) Pty Ltd (PMAA) through intermediary Press Metal Berhad (PMB). This was the only form of exports of the goods to Australia during the inquiry period.

1.2 Related Parties

The verification team examined the relationships between PMBA and other parties within the corporate group involved in the manufacture and sale of the goods.

1.2.1 Related suppliers

The verification team notes that PMBA purchased various raw materials used to produce the goods from related and unrelated suppliers.

1.2.2 Related customers

The verification team found that PMBA sold the goods to related and unrelated domestic customers during the inquiry period.

1.3 Accounting records

KPMG audited PMBA's January to December 2020 financial statements and KPMG included a statement that the financial accounts comply with Malaysian Financial Reporting Standards.

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

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Raw Materials

PMBA sources its aluminium billets directly from external billet suppliers to produce its extrusions. PMBA also produces its own billet using its casting facility. For billets produced in its own facility, PMBA relies on a combination of primary aluminium ingots sourced from external suppliers, and scrap aluminium products. PMBA sources scrap externally or as a by-product from its own production processes.

Extrusion production process

All aluminium extrusions originate from the extrusion press process. The extrusion process involves heating billets and forcing the billets under hydraulic pressure through a die to create the profile. Following extrusion, PMBA workers stretch the product to achieve straightness and subsequently quench the product in water to achieve the desired material temper.

Following the tempering stage, PMBA workers cut the extrusions to the required length. At this point, the material's surface properties resemble the raw aluminium billets that PMBA workers initially put through the extrusion press. PMBA classify this finish as "mill finish". If the product does not require any further finishing, such as powder coating or anodising, PMBA workers send the product straight to the packing stage. Alternatively, PMBA workers send the product through the relevant fabrication process and then the workers pack the goods.

Scrap

The production of aluminium extrusions primarily generates scrap as a result of two instances, one being the 'butt' of the billet that cannot be processed through the extrusion press, and the second being the result of production failures that occur at any stage.

Packaging

Due to the fragile nature of the extrusions, PMBA workers need to prevent damage to the surface finish attributes and profile shape. Accordingly, PMBA packages the goods to mitigate any damage to the product.

2.2 Model Control Codes (MCCs)

PMBA 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. 2021/119.

PMBA proposed changes to the MCC structure. The verification team analysed the sales data and supporting evidence provided with PMBA's REQ.

PUBLIC RECORD

2.2.1 Amendments to MCCs

The verification team's price comparability analysis of PMBA's like goods identified the following amendments to the MCC structure.

No.	Exception	Resolution
1	The verification team found differences in the selling price between natural anodised and coloured anodised finished goods. The verification team also found that there were material price differences for polished bright silver (PBS) finished products, in comparison to other product finishes.	The verification team changed the finish code sub-categories for PMBA by: <ul style="list-style-type: none"> replacing the "A" (anodised) sub-category with two new sub-categories, "NA" (natural anodised) and "CA" (colour anodised); and adding subcategory "PBS" for polish bright silver finished goods.
2	The verification team found that price lists provided by PMBA demonstrate that the proposed alloy sub-categories were not an appropriate reflection of the pricing of the goods sold by PMBA.	The verification team changed the alloy code sub-categories for PMBA as follows: <ul style="list-style-type: none"> sub-category 6A to cover alloy 6060, 6063 and 6005; sub-category 6B re-designated to cover alloy 6061 only; sub-category 6C re-designated to cover alloy 6082 only; and sub-category 6D re-designated to cover alloy 6463 only.
3	The verification team found that price lists indicate that PMBA does not consider anodising microns in its pricing of the goods.	The verification team removed the MCC category for anodising microns.

Table 1 - Amendments to the MCCs

The verification team accordingly revised the MCC subcategories as follows:

Category	Sub-category		Sales data	Cost data
Finish	NA	Natural anodise	Mandatory	Mandatory
	CA	Colour anodise		
	PBS	Polish bright silver		
	M	Mill		
	PC	Powder coating		
	MC	Mechanical		
	W	Wood grain		
Alloy code	6A	6005, 6060, 6063	Mandatory	Optional
	6B	6061		
	6C	6082		
	6D	6463		
	O	Other		
Temper code	T1	T1, T4, T5, T6	Optional	Optional
	T50	T591, T595, T52		
	O	Other		

Table 2 - Revised MCC Structure for PMBA

2.3 Verification of MCCs

The table below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Finish	The verification team notes that based on price lists, finish is a price driver. The verification team was able to verify the finishes for each transaction in the domestic and export sales listings to commercial documents and the relevant transaction narrations in PMBA’s accounting system.
Alloy code	The verification team notes that based on price lists, alloy code is a price driver. The verification team was able to verify the alloy code for each transaction in the domestic and export sales listings to commercial documents and the relevant transaction narrations in PMBA’s accounting system.
Temper code	The verification team notes that price details for temper were included on PMBA’s domestic price list only and only referred to temper “T5” as the base price. PMBA priced all other temper codes the same. The verification team was able to verify the temper for each transaction in the domestic and export sales listings to commercial documents. The verification team notes that the only sub-categories relevant to PMBA sales is either “T1” or all others.
Anodising microns	The verification team notes that PMBA does not recognise the anodising microns as a price driver. Additionally, price lists do not consider anodising microns. The verification team was able to verify the adonisation micron thickness for export sales only (not domestic sales), using the sales invoices. Irrespective of this, as anodising microns do not affect price, the verification team finds that the anodising microns MCC category is redundant.

Table 3 - MCC sub-category determination

2.4 The goods exported to Australia

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

CA-6A-T1	M-6B-T1	PBS-6D-T1
CA-6B-T1	M-6D-T1	PC-6A-T1
M-6A-T1	NA-6A-T1	PC-6B-T1

Table 4 List of MCCs exported to Australia

2.5 Like goods sold on the domestic market

The verification team was satisfied that PMBA 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 - in that the exported goods and goods sold on the domestic market are produced in the same way, look alike (noting that different dies are required for individual customer specifications), and the costs of production are the same;

PUBLIC RECORD

- share a production likeness - in that the exported goods and goods sold on the domestic market are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- are commercially alike - in that the exported goods and goods sold on the domestic market to similar market sectors, are interchangeable and use similar distribution channels; and
- are functionally alike – in that the exported goods and goods sold domestically have similar end uses.

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

CA-6A-T1	M-6B-T1	M-O-T1	PC-6A-T1
CA-6B-T1	M-6C-T1	NA-6A-T1	
M-6A-T1	M-O-O	NA-6B-T1	

Table 5 - List of MCCs sold in the domestic market

2.6 Like goods – assessment

The verification team considers that the goods produced by PMBA for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with the definition of *like goods* set out in 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 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 submitted 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:

- The verification team reconciled the total revenue for the period 1 January 2020 to 31 December 2020 to the audited financial report for the same period.
- The verification team reconciled the total revenue for the inquiry period (1 July 2020 to 30 June 2021) to the accounting system and management reports.
- The verification team reconciled the goods, and the goods not under consideration in the accounting system, for the inquiry period.
- The verification team reconciled the totals of the domestic, export and third country sales listings for the inquiry period, using extracts from the accounting system.

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 submitted by PMBA 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
4	The submitted Australian sales listing did not contain the correct shipping terms for a number of sales lines.	Based on the information provided by PMBA, the verification team was able to classify the sales lines with the correct shipping terms.
5	The submitted Australian sales listing incorrectly labelled column “FOB Intermediary Invoice Value of sale to Australian customer” as “Original Intermediary Invoice Value of sale to Australian customer”, and vice versa.	PMBA provided an updated Australian sales listing with both columns labelled correctly.
6	The submitted Australian sales listing contained quarterly Malaysian unit inland transport values.	The verification team found that based on PMBA’s accounting for inland transport, it was more appropriate to use a weighted average annualised unit inland transport value for the inquiry period.
7	The submitted Australian sales listing did not contain “handling and other” with regard to Malaysian port handling.	PMBA supplied an updated Australian sales listing with values for “handling and other”.
8	The submitted Australian sales listing did not contain ocean freight and marine insurance in relation to Cost, Insurance and Freight (CIF) sales.	The verification team found it appropriate to use weighted average calculations for ocean freight and marine insurance obtained from the verification of importer, PMAA, for the inquiry period. ²
9	The submitted domestic sales listing did not contain detail on level of trade.	PMBA supplied an updated domestic sales listing with its claimed level of trade classifications. The verification team has not accepted these classifications for the reasons set out in chapter 8.2.
10	The verification team notes that the submitted domestic sales listing listed payment days as having 90 days for all sales. Based on the source documents provided for the sample domestic sales, the verification team found that a number of	Given the information provided by PMBA, the verification team found it appropriate to change the domestic payment days to zero for all sales relating to sales made via one of PMBA’s warehouses with “payable immediately” terms observed in source documents.

² Representatives of the commission undertook a separate verification of PMAA’s data for case 591.

PUBLIC RECORD

	sales invoice payment terms had “payable immediately” for sales made via one of PMBA’s warehouses.	
11	The verification team found that the domestic sales listing did not contain rebates as identified in the accounting system. The verification team notes that these rebates relate to early payment and tonnage discounts, and represented less than one per cent of total gross invoice value.	PMBA provided an updated domestic sales listing with the relevant rebates. PMBA allocated the rebates to each domestic sales line as a proportion of gross invoice value. PMBA deducted the rebates from the gross invoice values to obtain the appropriate net invoice values.

Table 6 - Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data submitted by PMBA, 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 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 submitted 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 as follows:

- The verification team reconciled the REQ reported total cost of goods sold for the financial reporting period (year ending 31 December 2020) to the audited income statement.
- The verification team reconciled the total cost of goods sold for the inquiry period to an extract from PMBA's accounting system.
- The verification team reconciled the REQ reported cost to make for the inquiry period, for the goods and non-goods products, to the general ledger, which links to the accounting system.
- The verification team reconciled the cost to make for the goods in the accounting system, to the domestic and Australian cost to make listings reported in the REQ.

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

- The verification team reconciled the reported SG&A expenses for the financial reporting period (year ending 31 December 2020) to the audited income statement.
- The verification team reconciled the SG&A reported for the inquiry period to the relevant general ledgers, which link to the accounting system.

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
12	In the domestic and Australian sales listings, PMBA identified sales office expenses as direct selling expenses, rather than indirect.	The verification team updated the SG&A for the inquiry period to include these indirect selling expenses.

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 submitted in the REQ by PMBA, including any required amendments as outlined as an exception above, is complete and relevant.

6 VERIFICATION OF CTMS ACCURACY

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information submitted 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 8 outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	PMBA grouped the actual costs by alloy code and allocated the costs to each MCC based on production quantity.
Scrap Allocation	PMBA grouped the actual costs by alloy code and allocated the costs to each MCC based on production quantity.
Manufacturing Overheads	PMBA grouped the actual costs by extrusion finish (e.g. mill finish, powder coating etc.) and allocated the costs to each MCC based on production quantity.
Labour	PMBA grouped the actual costs by extrusion finish (e.g. mill finish, powder coating etc.) and allocated the costs to each MCC based on production quantity.
Depreciation	PMBA grouped the actual costs by extrusion finish (e.g. mill finish, powder coating etc.) and allocated the coststo MCC based on production quantity.

Table 8 - 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 submitted in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

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

6.3 Related party suppliers

PMBA purchased raw materials including aluminium scrap, aluminium billet and aluminium ingot, from both related and unrelated parties, during the inquiry period. PMBA used these raw materials to produce the goods.

Using the raw material purchase listing submitted with the REQ, the verification team compared the purchase prices from related and unrelated parties. Based on the price comparison, the verification team found no material price differences with regard to purchases from related and unrelated suppliers. The verification team therefore considers the raw material purchases to be arms length purchases.

PUBLIC RECORD

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 submitted in the REQ by PMBA is accurate and reasonably reflects the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importer

PMBA is the exporter of the goods, which sells to PMAA through PMB, being the related party intermediary. PMB acts as a sales facilitator for PMAA's imports.

The verification team considers PMAA to be the beneficial owner of the goods at the time of importation as PMAA:

- is named on the commercial invoice issued by its related party intermediary, PMB
- is named as the consignee on the bill of lading
- was identified as the owner on Australian import declarations lodged by PMAA
- arranges delivery from the Australian port of arrival.

The verification team is satisfied that for all Australian export sales during the period that PMAA was the importer of the goods.

7.2 The exporter and intermediary

The verification team considers PMBA to be the exporter of the goods³, as PMBA:

- has been identified as the manufacturer of the goods
- was named on the commercial invoice as the supplier of the goods to PMB, whereby PMB then supplies the goods to PMAA
- 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
- covers the cost of ocean freight and marine insurance from the port of export to the Australian port of arrival (for CIF sales made during the inquiry period).

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

The verification team further considers PMB to be an intermediary in the export of the goods on the basis that:

- PMB purchased the goods from PMBA prior to their exportation
- PMB is named as consignor and/or exporter on the certificate of origin and logistics company invoices
- PMB receives PMAA's purchase orders
- PMB is named on the commercial invoice to PMAA
- PMB receives payment from PMAA and
- PMB specified PMAA's purchase order details, name and place of delivery on PMB's invoices.

The verification team is satisfied that for all Australian export sales during the period that PMB was the intermediary of the goods with regard to the sales between PMBA and PMAA.

³ The commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

7.3 Arms length

7.3.1 Related party customers

Export sales

PMBA made all of its Australian sales to PMAA through intermediary PMB, and all three parties are related.

The verification team found that PMBA sells to PMAA through PMB with reference to monthly price lists, and the price is set in consideration of global market price data and trends in relation to aluminium billet and aluminium ingot.

During the inquiry period, PMBA exported the goods at CIF and Free on Board (FOB) terms. In relation to export sales, PMBA sold the goods to PMB at CIF and FOB prices in Malaysian Ringgit. PMB then on sold the same goods to PMAA in Australian dollars, with reference to the same CIF and FOB prices, however using an exchange rate conversion.

Since PMB acts as a sales facilitating intermediary only, PMB never physically possessed the goods. Rather, the goods were physically moved from PMBA's mill straight to the port of export and then into PMAA's possession.

With regard to the sales at CIF terms, the verification team notes that PMB invoiced PMAA at CIF terms, and that certain importation costs incurred by PMAA were reimbursed by PMB. This effectively meant that this reimbursement formed part of PMBA/PMB's CIF export sales prices.

Change in INCOTERMS – CIF to FOB

PMBA advised that certain sales of the goods at CIF terms retrospectively changed to FOB terms. This related to sales from the period 1 December 2019 to 30 November 2020. PMBA explained that the transition was made effective by the issuance of a credit note from PMB to PMAA, representing a downwards price adjustment. PMB issued the credit note on 30 November 2020, and therefore the credit note represents a post-sale price alteration from the original CIF price to an FOB price.

PMBA explained that PMB also issued a debit note to PMAA, representing the actual post FOB costs originally paid by PMB, for sales made during the period 1 December 2019 to 30 November 2020.

The verification team observed the credit and debit notes from PMB to PMAA, as well as the corresponding payments with respect to the credit and debit notes. The verification team also identified the relevant adjustments in PMBA and PMB's accounting systems, which corresponds to the credit and debit notes.

Nature of post 30 November 2020 export sales

PMBA explained that post 30 November 2020 onwards, the sales arrangements from PMBA to PMB/PMAA were to be on an FOB basis. However, PMBA explained that for some sales with an invoice date post 30 November 2020, PMBA inadvertently invoiced at CIF terms⁴, instead of FOB terms. PMBA stated that the sales inadvertently invoiced at CIF terms relate to invoice dates after 30 November 2020 to the end of the inquiry period, which represent

⁴ The invoicing at CIF terms relates to same pricing arrangement as the CIF prices as invoiced from 1 December 2019 to 30 November 2020.

PUBLIC RECORD

products ordered before 4 December 2020. PMBA included the order date for each invoice in the export sales listing.

PMBA explained that in order to correct the post November 2020 invoices inadvertently invoiced at CIF terms, PMB issued multiple credit notes to PMAA. PMB issued these notes to adjust the sales such that the sales would reflect FOB sales prices. Based on the credit notes, PMAA manually edited its invoices to change the invoices to reflect FOB pricing.

The verification team found that the credit note adjustments and manual changes to the invoices reflected non-actual cost adjustments.

PMBA explained that all post November 2020 invoices which represent products ordered from 4 December 2020 onwards, were originally invoiced at FOB terms.

Summary of export sales terms for the inquiry period

The verification team has summarised the export sales terms for the inquiry period. This is seen in the below table.

Invoice period	INCOTERMS reflecting original invoice price	Sales order date period relating to the invoice	Post invoice adjustments
1 July 2020 to 30 November 2020	CIF	Pre 4 December 2020	Retrospectively changed to FOB terms via a credit note issued on 30 November 2020
1 December 2020 to 30 June 2021	CIF	Pre 4 December 2020	Retrospectively changed to FOB terms via multiple credit notes and manual adjustments made on the original invoices
	FOB	4 December 2020 onwards	N/A

Table 9 – Summary of export sales terms

Treatment of CIF sales

The verification team notes that representatives of the commission conducted a verification of PMBA's data for Accelerated Review 577 (AR 577). AR 577 related to an accelerated review for PMBA, concerning the goods. *Anti-Dumping Commission Report No. 577 (REP 577)*⁵ details the findings of AR 577.

In relation to the verification for AR 577, the commission calculated PMBA's export price for the period of 1 January 2020 to 31 December 2020. Accordingly, for AR 577, export price had been determined for 1 July 2020 to 31 December 2020. The verification team notes that this period represents the first half of the inquiry period for this continuation inquiry 591.

As detailed in REP 577, the commission found that the CIF sales from 1 July 2020 to 31 December 2020 included a reimbursement for certain importation costs (which was also identified by the verification team for this verification). Notwithstanding this, the commission found that these CIF sales were a reflection of commercial arrangements in place at the time of sale, and that PMBA and PMB made these sales in a manner consistent with established trading practices.

⁵ Electronic Public Record document no. [4](#) for AR577 refers.

PUBLIC RECORD

The verification team notes that the findings from REP 577, in relation to CIF sales, are also relevant to the findings in this verification.

Accordingly, for all CIF sales made during the inquiry period, the verification team considers the invoice price of the goods at CIF terms with the inclusion of the importation cost reimbursement in that price, is an established trading practice in relation to the seller, being PMB, and the buyer, being PMAA.

Treatment of the downward price adjustments

The verification team found that the credit note downwards price adjustment to retrospectively change the 1 December 2019 to 30 November 2020 CIF sales, to FOB sales was based on non-actual costs.

The verification team also notes that there were credit note downwards price adjustments and manual changes to the original sales invoices to retrospectively change the 1 December 2020 to 30 June 2021 CIF invoiced sales from CIF terms to FOB terms. The verification team notes that PMB made these adjustments based on non-actual costs.

Notwithstanding the non-actual cost adjustment basis, the verification team notes that the CIF to FOB downwards price adjustments for all sales originally invoiced at CIF terms during the inquiry period, are reimbursements or forms of compensation from PMB to PMAA.

In consideration of the matters outlined in section 269TAA(1A), the verification team does not find that the CIF to FOB downwards price reimbursements are established trading practices, and notes that the reimbursements were not quantifiable at the time of the sale.

The verification team finds that with respect to the price adjustments, the buyer (PMAA) is, subsequent to the purchase of goods from PMB, directly or indirectly, reimbursed, or has otherwise received a benefit, in respect of, the whole or part of the price pursuant to section 269TAA(1)(c).

The verification team also considers that the post-sale alteration of the export price which PMBA and its related parties have introduced, points to a situation where the price of the goods would not be reliable given the appearance that that price is affected by a relationship between PMAA, and the seller, PMBA, and an associate of the seller, PMB.

Accordingly, the verification team is satisfied that pursuant to section 269TAA(1)(b), PMBA's CIF to FOB adjusted sales of the goods sold from 1 July 2020 to 30 June 2021 should not be treated as arms length transactions.

Treatment of FOB invoiced export sales

Given the relationship between PMBA, PMB and PMAA, the verification team wanted to be satisfied that the export sales claimed by PMBA that were originally invoiced at FOB terms actually reflected sales prices at FOB terms.

Accordingly, the verification team compared the claimed FOB sales prices, to the claimed CIF sales prices during the inquiry period. The verification team also assessed source documentation and pricing arrangements in relation to the relevant sales.

The verification team completed the CIF/FOB price comparison on a monthly basis, and by the MCC. From this price comparison, and with reference to source documentation and pricing arrangements, the verification team was satisfied that the sales originally invoiced at FOB terms as claimed by PMBA, actually represented FOB pricing.

7.3.2 Information considered for this inquiry

Information considered unreliable

PUBLIC RECORD

In line with the above, the verification team finds that the following information should be disregarded in consideration of section 269TAB(4):

- the November 2020 credit note issued to PMAA by PMB relating to the downwards price adjustment (adjusting the price to FOB terms) for CIF sales made from 1 December 2019 to 30 November 2020;
- PMB's November 2020 debit note issued to PMAA, making PMAA liable for the payment of exportation costs and importation expenses for CIF sales made from 1 December 2019 to 30 November 2020 (for the adjusting of the CIF price to FOB terms);
- the multiple invoice based credit notes representing downwards price adjustments (adjusting price to FOB terms) for sales originally invoiced at CIF terms, invoiced post November 2020; and
- PMBA and PMB's accounting system adjustments detailing the recognition of the credit and debit notes issued to change any CIF sales to FOB sales.

Relevant circumstances of exportation

The verification team finds that the commercial arrangements in place at the time of the sale of the goods reflected prices that were unaffected by the association between PMBA, PMB and PMAA, and were sold in a manner consistent with established trading practices.

The verification team notes that all originally invoiced export sales made during the inquiry period reflect these commercial arrangements. These originally invoiced sales represent all sales whereby the verification team disregards all post invoice adjustments retrospectively changing CIF sales to FOB sales.

The verification team further notes that PMBA sets its export prices based on monthly price lists, which consider global market price data and trends.

The verification team is satisfied that the available information regarding PMBA's CIF exports at the time of their exportation to Australia indicates that:

- CIF terms were indicated on shipping company documents and Australian import declarations;
- PMBA covered the cost of exportation to the port of arrival in Australia;
- PMBA arranged for the goods to be shipped out of the country of origin and is therefore the entity who caused the removal of the goods from Malaysia;
- PMB purchased the goods from PMBA before PMB on sold those goods to the Australian importer, PMAA;
- PMB (as the intermediary) paid PMBA (the exporter) an amount for the goods that reflected the value stated on PMBA's commercial invoices;
- the importer (PMAA) paid the intermediary (PMB) for the goods, being an amount that reflected the value of the goods on PMB's commercial invoice; and
- PMB's established practice of crediting PMAA for importation expenses was validly operating during the inquiry period.

In relation to PMBA's FOB exports, the verification team notes that:

- FOB terms were indicated on shipping company documents and Australian import declarations;
- PMBA covered the costs of exportation to the FOB point at the Malaysian port;
- PMAA was responsible for all importation expenses from the FOB point to the Australian inland destination;
- PMB purchased the goods from PMBA before PMB on sold those goods to the Australian importer, PMAA;

PUBLIC RECORD

- PMB (as the intermediary) paid PMBA (the exporter) an amount for the goods that reflected the value stated on PMBA's commercial invoices; and
- the importer (PMAA) paid the intermediary (PMB) for the goods, being an amount that reflected the value of the goods on PMB's commercial invoices.

7.4 Export Price – assessment

In relation to the Australian sales of the goods by PMBA, the verification team found that the importer (PMAA) has not purchased the goods from the exporter (PMBA). Therefore, the verification team cannot determine export prices under sections 269TAB(1)(a) or 269TAB(1)(b). Furthermore, the commission considers that the export sales are not arms length for the reasons outlined in section 7.3.

The verification team notes that sufficient and reliable information exists to determine the export price under section 269TAB(1)(c), having regard to all the circumstances of the exportation. The verification team has described the relevant circumstances of exportation above, at section 7.3.2.

The verification team finds that it should calculate export price as the price paid by PMAA to PMB as stated on PMB's commercial invoices, less the part of that price that represents all actual post FOB costs. This price disregards information considered unreliable as outlined at section 7.3.2.

In respect of the originally invoiced FOB sales, the verification team finds that it should calculate export price as the invoiced price paid by PMAA to PMB, as stated on PMB's commercial invoices.

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 PMBA's domestic sales of like goods to its related 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.⁶

The verification team therefore considers that all domestic sales made by PMBA to related customers during the period were arms length transactions.

8.1.2 Unrelated customers

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

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

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

8.2 Level of trade

PMBA claimed that the verification team should make a level of trade adjustment for domestic sales made via PMBA's claimed retail sales division.

The verification team conducted price comparisons in relation to PMBA's claimed level of trade classifications, MCC and customer. The team compared weighted average prices for different MCCs and examined sales volume, and customers grouped according to PMBA's different levels of trade.

⁶ Section 269TAA refers.

The verification team’s analysis found immaterial price differences between claimed levels of trade.

Further, the verification team notes that PMBA has not provided sufficient information for the verification team to be satisfied that the claimed retail division of PMBA sells to customers representing one level of trade only.

Given the above, the verification team is not satisfied that it should make a level of trade adjustment for the normal value in relation to domestic sales.

8.3 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 tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction.

The team then tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

The team tested recoverability by comparing the net invoice price against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

OCOT particulars	Details
Price	Net invoice price
Cost	Quarterly CTMS, including direct selling expenses for each transaction.
Weighted average cost	Weighted average CTMS over the period, including direct selling expenses for each transaction.

Table 10 – OCOT details

8.4 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. An exporter’s domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was 5% or greater and therefore was not a low volume.

⁷ In general, the commission will consider ‘extended period’ and ‘reasonable period’ to be the investigation, review or inquiry period.

PUBLIC RECORD

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than 5% of the volume exported, the commission will consider whether it should make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic model to calculate normal value for the exported model.

The verification team detailed this analysis in the table below.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
CA-6A-T1	Yes	Suitable for use in normal value.
CA-6B-T1	Yes	Suitable for use in normal value.
M-6A-T1	Yes	Suitable for use in normal value.
M-6B-T1	Yes	Suitable for use in normal value.
M-6D-T1	No	Surrogate MCC M-6C-T1 with specification adjustment under section 269TAC(8) used in normal value.
NA-6A-T1	Yes	Suitable for use in normal value.
PBS-6D-T1	No	Surrogate MCC PC-6A-T1 with specification adjustment under section 269TAC(8) used in normal value.
PC-6A-T1	Yes	Suitable for use in normal value.
PC-6B-T1	No	Surrogate MCC PC-6A-T1 with specification adjustment under section 269TAC(8) used in normal value.

Table 11 - Domestic volumes

The verification team's volume analysis is at **Confidential Appendix 3**.

9 ADJUSTMENTS

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

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	The verification team made a credit adjustment as payment terms differ for export and domestic sales.	The verification team used the average daily interest rate for the inquiry period, based on interest rates from Bank Negara Malaysia, being the Central Bank of Malaysia.	No	Yes
Level of trade	PMBA claimed that a material proportion of PMBA's domestic sales were at a retail level of trade that was not equivalent to the level of trade of its Australian customer.	The verification team compared weighted average prices based on levels of trade, customer and MCC. Based on these price comparisons, and the nature of the sales channels, the verification team did not find it appropriate to make a level of trade adjustment.	Yes	No
Domestic inland transport	Domestic inland transport costs are different to export inland transport costs.	The verification team used the general ledger to verify the appropriate values.	Yes	Yes
Domestic packaging	Export packaging cost is different to domestic packaging cost due to additional materials required for export packaging.	The verification team used the general ledger to verify the appropriate values.	No	Yes
Export packaging	Export packaging cost is different to domestic packaging cost due to additional materials required for export packaging.	The verification team used the general ledger to verify the appropriate values.	No	Yes
Export inland transport PMBA mill to Port Klang	Domestic inland transport costs are different to export inland transport costs.	The verification team used the general ledger to verify the appropriate values.	No	Yes
Export Port Klang handling and other charges	The verification team made an adjustment for export port handling as export sales incur this cost, but domestic sales do not.	The verification team used source documents in the form of invoices to verify the appropriate values.	No	Yes
Export credit terms	The verification team made a credit adjustment as payment	The verification team used the average daily interest rate for the inquiry period, based on interest rates	No	Yes

PUBLIC RECORD

	terms differ for export and domestic sales.	from Bank Negara Malaysia, being the Central Bank of Malaysia.		
Specification	The verification team made an adjustment to ensure that it can use the surrogate MCCs in normal value in order to allow a proper comparison to export price.	Where the verification team used a surrogate MCC in normal value, the verification team made specification adjustments based on CTMS and OCOT profit.	No	Yes

Table 12 - Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value 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 packaging	Deduct an amount for domestic packaging
Export packaging	Add an amount for export packaging
Export inland transport PMBA mill to Port Klang	Add an amount for export inland transport
Export Port Klang handling and other charges	Add an amount for export port charges
Export credit terms	Add an amount for export credit terms
Specification	Add or deduct an amount for specification adjustment

Table 13 - Summary of adjustments

The verification team's preliminary adjustment calculations are included in the normal value calculations at **Confidential Appendix 3**.

10 NORMAL VALUE

The verification team found that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. The verification team is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The verification team has determined a preliminary normal value under section 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect comparison of domestic prices with export prices, as outlined in chapter 0 above.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

11 DUMPING MARGIN

The verification team calculated the dumping margin by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the inquiry period.

The dumping margin for the goods exported to Australia by PMBA for the period is **6.7%**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

12 SUBSIDIES

12.1 Less than adequate remuneration

The verification team verified the completeness, relevance and accuracy of the raw material purchase listing submitted 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.

The verification team found that PMBA did not purchase any raw materials from SIE's during the inquiry period.

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 submitted in the REQ by reconciling the information to the tax returns and proof of payment documents.

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

The verification team did not find any preferential tax benefits received by PMBA during the inquiry period.

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 submitted 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.

The verification team did not find any financial grants received by PMBA during the inquiry period.

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

PMBA used an overdraft facility during the inquiry period. The verification team found that this was the only form of loan undertaken, and the team verified the overdraft interest rate to the accounting system and down to source documents.

The verification team did not identify any issues during this process. The verification team compared the overdraft facility interest rate to conventional interest rates from the Bank Negara Malaysia website.⁸ Based on this comparison, the verification team is satisfied that the overdraft facility used by PMBA during the inquiry period did not have a preferential interest rate.

⁸ The [Bank Negara Malaysia website](#) refers.

PUBLIC RECORD

The verification team therefore finds that PMBA did not receive any preferential loans during the inquiry period.

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 PMBA did not receive a benefit in relation to any subsidy programs and, as such, the verification team has not calculated a subsidy margin.

13 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Normal Value
Confidential Appendix 4	Dumping Margin
Confidential Appendix 5	Subsidy Margin
Confidential Attachment 1	Verification work program