

Exporter Verification Briefing

**Continuation Investigation 594;
Hot Rolled Coil Exported from Taiwan**

AGENDA

- 1 Overview**
- 2 Model Control Codes – Characteristics that impact Price & Cost**
- 3 Exporter Questionnaire Assessment**
 - i China Steel Corp**
 - ii Chung Hung**
 - iii Shang Chen**

1. OVERVIEW

General Comments

- In advance of the Anti-Dumping Commission's (**the Commission**) exporter verifications with respect to the continuation inquiry into Hot Rolled Coil (**HRC**) steel exported from Taiwan (Inquiry No. 594), BlueScope makes the following comments and representations.
- The Statement of Essential Facts is currently due for publication on **25 August 2022** (following an extension from 26 April 2022).
- These comments and representations are made to assist the Commission in its verification and review of exporter data for the purposes of preliminary determination, and to provide BlueScope's preliminary views on the record to-date.
- BlueScope will continue to review EPR submissions and exhibits as-and-when published, and may update its position and comments prior to the Statement of Essential Facts and Final Report.

2. MODEL CONTROL CODES

Characteristics that impact Price & Cost

- All MCC categories impact price and cost, as follows:

Product Control Number - Coding System				
Item	Category		Price/Cost Impact	Description
1	Quality			Reports whether the product is prime or non-prime (secondary) product. Non prime could also be described as not meeting the intended or applicable specification.
	P	Prime	Base	
	N	Non Prime	Reduction	
2	Form			Reports of the Form of the product - either supplied in coil form or in sheets -less than 4.75mm only. Hot Rolled product in sheet => than 4.75mm in thickness is classified as 'plate steel'.
	C	Coil	Increase	
	S	Sheet	Base	
3	Surface Condition			Reports the final surface finish of the hot rolled coil (HRC) steel product - either no further treatment post rolling ('As Rolled'), or further processing to achieve a Pickled surface.
	A	As Rolled	Base	
	PI	Pickled (with or without oil)	Increase	
4	Standard/Grade			Reports the steel grade of HRC. The steel grade determines the guaranteed or typical mechanical properties of the product. The Australian Standard AS range of steel grades are noted in bold with the equivalent Japanese standards noted alongside unbolded. The 250/300/350 type grades are 'Structural' steel grades. The "W" grades are known as 'weathering' steels due to the addition of copper that changes their reaction to the atmosphere. All other HRC steel grades (e.g. chemistry or hardness grades) will fall into the 'other' category.
	1	HA1(S) / G250 / HA250 / SPHC / SS400 (AS1594 / JIS G3131 / JIS G3101)	Base	
	2	G300 / HA300 (AS1594)	Increase	
	3	G350 / HA350 / SS490 (AS1594 / JIS G3106)	Increase	
	4	HW350 / SMA490 / 'Corten' (AS1594 / JIS G3114)	Increase	
	5	Other	Increase	
5	Thickness (BMT)			Reports the thickness of the HRC.
	T1	<1.6 mm	Increase	
	T2	= > 1.6 mm to < 2.0 mm	Increase	
	T3	= > 2.0 mm to < 4.75 mm	Base	
	T4	= > 4.75 mm	Base	
6	Width			Reports the width of the HRC.
	W1	<= 1000 mm	Increase	
	W2	> 1000 mm	Base	

Table 2: Model control codes

Item	Category	Sub-category	Identifier	Sales data	Cost data
5	Base Metal Thickness (BMT)	< 1.6mm	T1	Mandatory	Mandatory
		≥ 1.6mm to < 2.0mm	T2		
		≥ 2.0mm to < 4.75mm	T3		
		≥ 4.75mm	T4*		

* applicable to coil form only

3. EXPORTER QUESTIONNAIRE ASSESSMENT

China Steel Corp - Background

○ Background:

Review 528 (HRC) Verification Report:

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

China Steel Corporation (CSC) is a publicly traded company listed on the Taiwan Stock Exchange. Established in 1971, it manufactures and sells a variety of steel products for both the domestic and export market, including Australia. Its main products are hot rolled coils and sheets, cold rolled coils and sheets, wire rods, steel plates, and steel bars.

CSC is a parent company with a large number of subsidiaries. This includes Dragon Steel Corporation (DSC), who is also a manufacturer of the goods, and China Steel Global Trading Corporation (CSGT) who manages export sales on behalf of both CSC and DSC.

1.2 Related Parties

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

1.2.1 Related suppliers

For CSC's production of the goods, CSC purchased some of its hot rolled band and steel slab from two related suppliers, respectively. All of the goods produced by DSC were sold by CSC on behalf of DSC on the domestic and Australian markets.

For DSC's production of the goods, DSC purchased some of its coal from CSC.

See chapter 6.3 for arms length assessment.

1.2.2 Related customers

Australian customers

The verification team is satisfied that CSC is unrelated to its Australian customers.

Domestic customers

The verification team identified a number of related domestic customers. See chapter 8.1.1 for further discussion.

Continuation 400 (HRC) Verification Report:

3.3 The exporter

CSC has a wholly-owned subsidiary, Dragon Steel Corporation (DSC) that produces some of the goods for export and domestic sales. The verification team noted that, of the goods exported to Australia during the inquiry period, some of the goods were produced by DSC rather than CSC.

The verification team discussed the roles of the different companies with CSC. DSC has its own production facilities separate to CSC's. Similarly, DSC has a separate organisational structure and board of directors to CSC, but due to CSC's ownership of DSC, CSC selects all of DSC's directors.

CSC exercises a high degree of control over the activities of DSC. In relation to the goods, CSC carries out all pricing and selling activities (and CSC purchases raw materials).

DSC maintains operation of the electric arc furnace, from which they produce and sell billet and slab (which are not the goods) to their own customers.

3. EXPORTER QUESTIONNAIRE ASSESSMENT

China Steel Corp - Background

- Earlier subject goods and related product inquiries; normal value adjustments:

Review 528 (HRC) Verification Report:

Adjustment Type	Deduction/addition
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic packaging	Deduct an amount for domestic packaging
Domestic commission paid by DSC to CSC	Deduct an amount for domestic commission paid by DSC to CSC
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 charges
Export bank charges	Add an amount for bank charges
Export commission paid by DSC to CSC	Add an amount for export commission paid by DSC to CSC
Export commission paid by CSC to CSGT	Add an amount for export commission paid by CSC to CSGT
Specification adjustment	For the two export MCC with insufficient domestic sales made in the OCOT, specification adjustments under section 269TAC(8) were applied to surrogate MCCs to account for the price difference in thickness and width based on CSC's price lists.

Table 9 Summary of adjustments

Continuation 400 (HRC) Final Report:

Adjustment Type	Deduction/addition
Domestic inland transport	Deduct the cost of domestic inland transport
Domestic sales commission	Deduct the cost of domestic sales commission
Domestic credit cost	Deduct the cost of domestic credit
Export inland transport	Add the cost of export inland transport
Export handling and other	Add the cost of export handling and other
Export bank charges	Add the cost of export bank charges
Export trading company service fee	Add the cost of the trading company service fee
Export related charges	Add the cost of export related charges
Specification adjustment	For models with no, or insufficient sales in the OCOT
Timing	Add or deduct the difference in timing

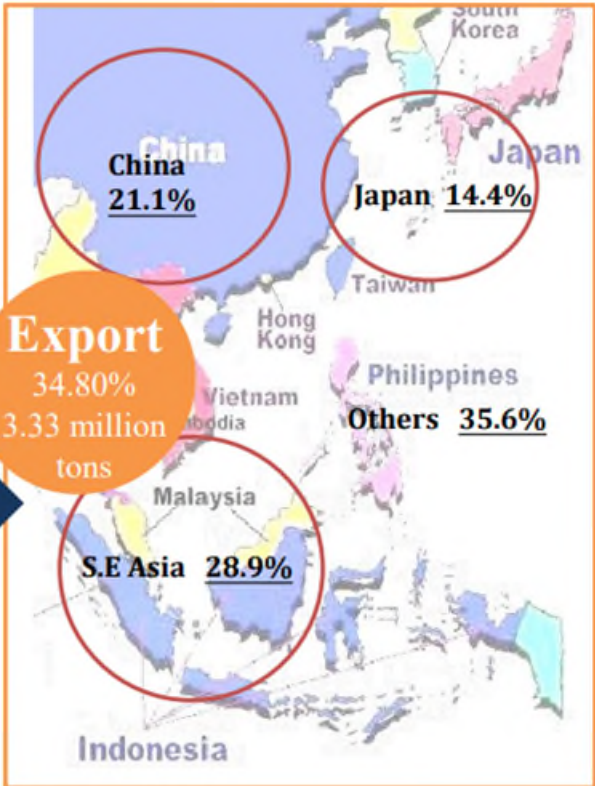
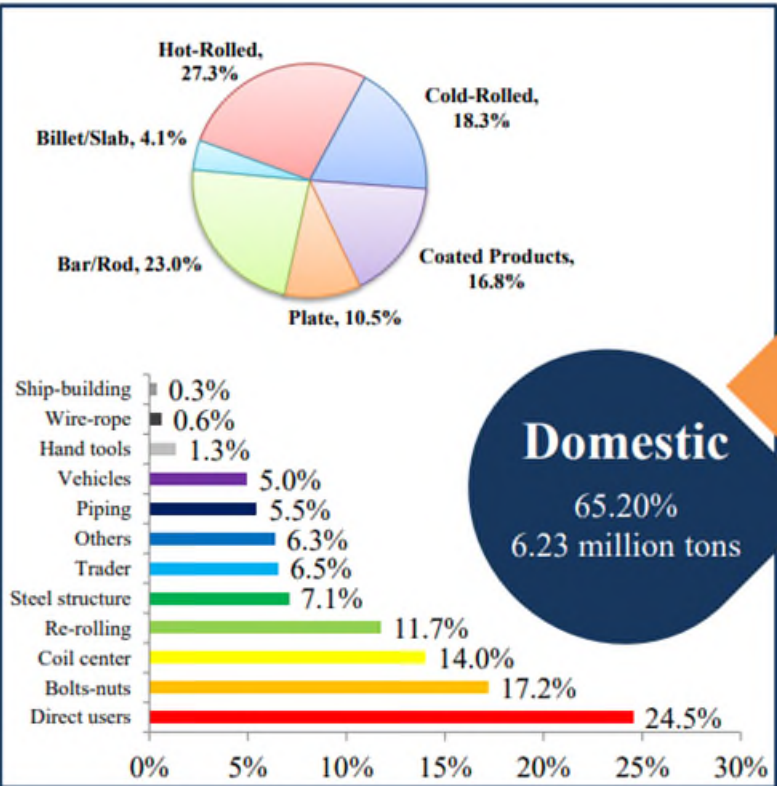
Table 8 – Adjustments to normal value for CSC

3. EXPORTER QUESTIONNAIRE ASSESSMENT

China Steel Corp - Research

○ Performance:

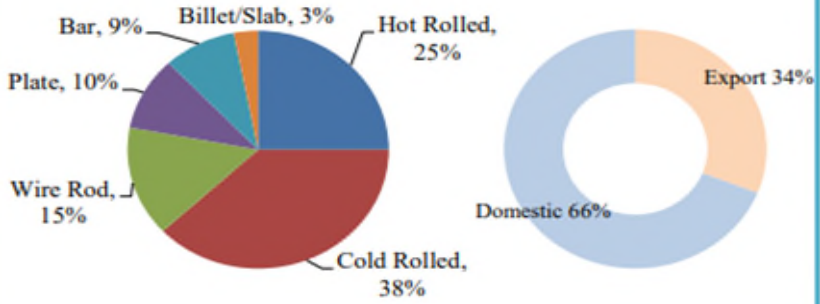
2021 sales volume totaled 9.56 million tons – Sales Breakdown



Domestic
65.20%
6.23 million tons

Export
34.80%
3.33 million tons

2021 Sales value breakdown



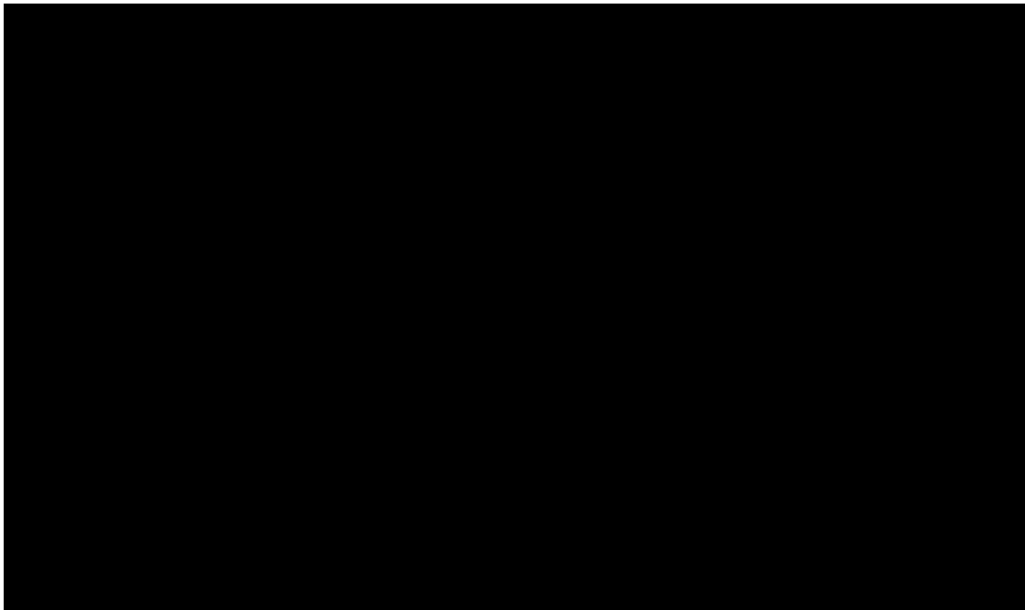
IFRSs		Units: NT\$ millions		
	2021	2020	YoY	
Revenues	468,328	314,783	+49%	
Gross profit	95,315	15,118	+530%	
Gross margins	20.35%	4.80%		
Profit (loss) before tax	84,414	2,768	+2950%	
Net profit (loss)	68,906	2,258	+2952%	
Attributable to				
Owners of the corporation	62,053	886	+6904%	
Non-controlling interests	6,853	1,372	+399%	
Earnings Per Share (NTD)	\$ 4.02	\$ 0.05	+7940%	

3. EXPORTER QUESTIONNAIRE ASSESSMENT

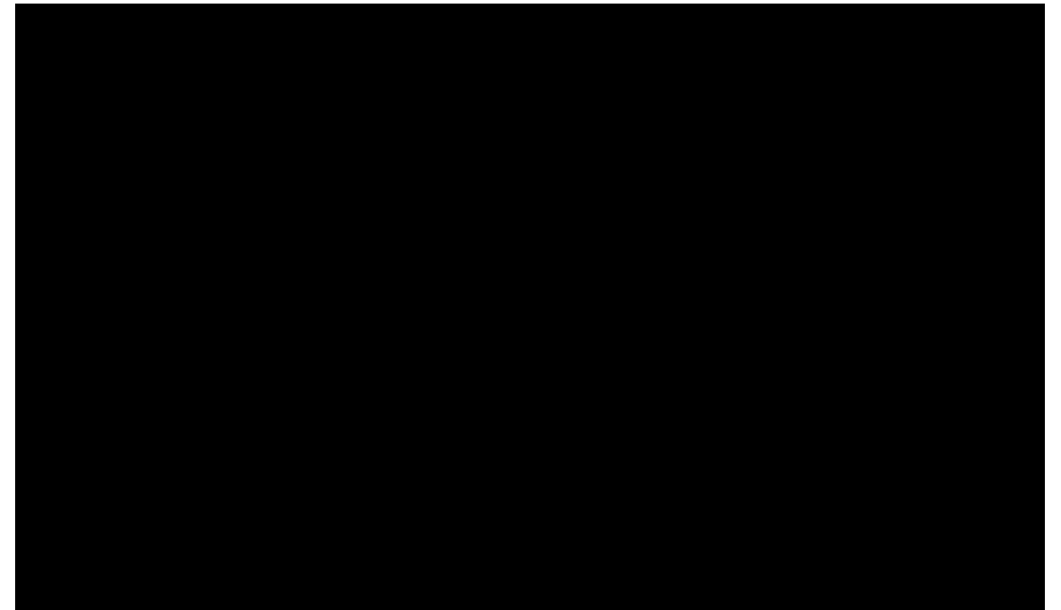
China Steel Corp - Research

- o Calendar Year Mill Capacities:

Current Exporter Briefing (HRC) - 2022



Prior Exporter Briefing (HRC) - 2017



- Comparative of Taiwanese mill capacities for HRC.

3. EXPORTER QUESTIONNAIRE ASSESSMENT

China Steel Corp - Research (summary)

- Key Points:
- 2021 CSC Total Group Revenue \$468,328 (NT\$ million);
- HRC accounts for 25% of Steel Revenue;
- Export Revenue – 34%;
- 2021 CSC Sales Tonnes 9.56 million
 - i. HRC accounts for 27.3% of volume;
 - ii. Total export accounts for 34.8% of total volume at 3.33 million tons;
 - iii. Export to Australia falls within the “Other Countries” group of 35.6% - 1,185kt
- *[commercial-in-confidence capacity comments]*

3. EXPORTER QUESTIONNAIRE ASSESSMENT

Chung Hung - Background

○ Background:

Review 528 (HRC) Verification Report:

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Chung Hung Steel Corporation (CHS) is a publicly traded company listed on the Taiwan Stock Exchange. Established in 1983, it manufactures and sells a variety of steel products for both the domestic and export market, however it did not export to Australia during the period of review. Its main products are a variety of steel coils including hot rolled, cold rolled, galvanised, pickled and/or oiled, and a variety of pipe including black, rectangular and galvanised.

CHS is a subsidiary of China Steel Corporation (CSC). CSC has a large number of subsidiaries and is also a manufacturer of the goods.

1.2 Related Parties

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

1.2.1 Related suppliers

CHS purchased some of its steel slab from a related party.

The Commission's assessment to determine whether the purchases of raw materials from its related supplier were arms length is discussed at chapter 5.3 of this report.

1.3 Accounting records

CHS's audited financial statement was audited by Deloitte & Touche and includes a statement that the financial accounts comply with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic warranty expense	Deduct an amount for domestic warranty expense
Export packaging	Add an amount for export packaging
Export handling	Add an amount for export handling
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for export port charges
Export commission fee	Add an amount for export commission fees
Export bank charge	Add an amount for export bank charge
Timing	For certain models, add or deduct the difference in timing

Table 6 Summary of adjustments

3. EXPORTER QUESTIONNAIRE ASSESSMENT

Chung Hung - Research

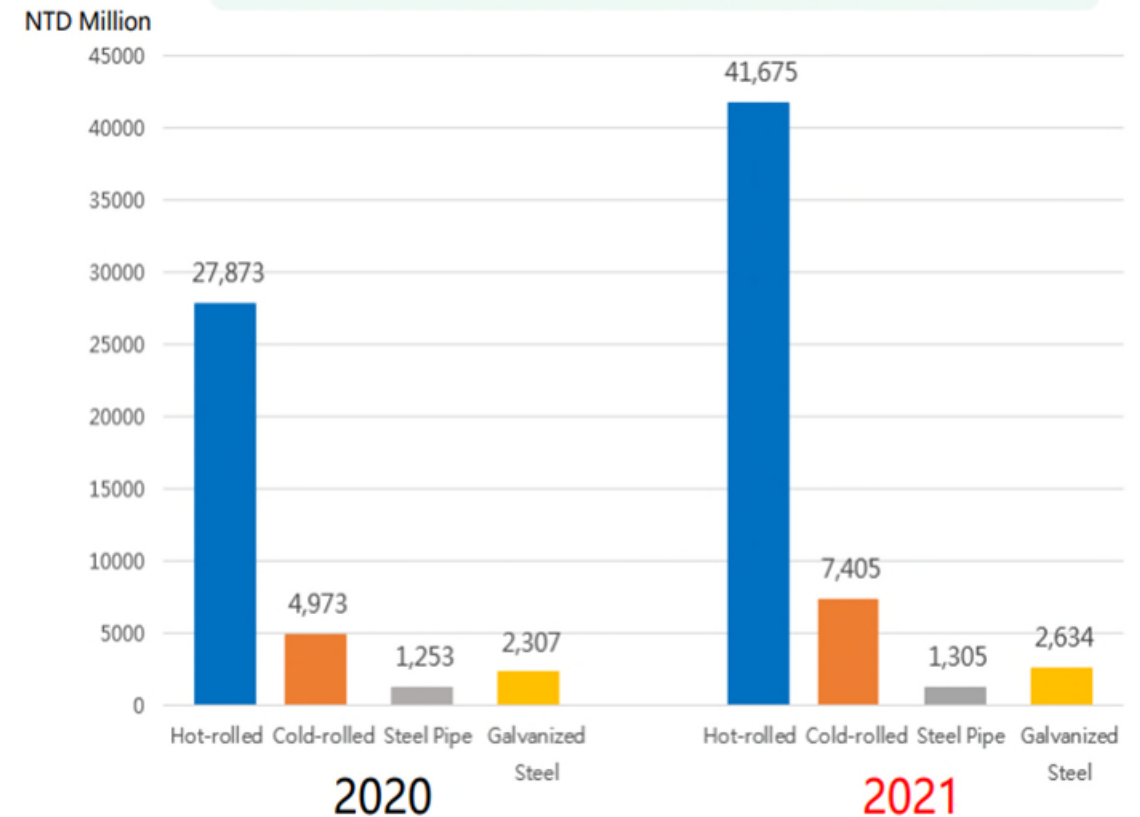
Performance:



Financial Performance

(In Thousands of New Taiwan Dollars)	2017	2018	2019	2020	2021
Operating Revenues	40,792	48,239	40,470	36,790	53,744
Gross Profit	3,889	4,385	1,245	1,455	7,546
Gross Profit Rate	9.53%	9.09%	3.08%	3.95%	14.04%
Profit(Loss) From Operations	2,574	2,876	-218	338	6,524
Profit(Loss) From Operations Rate	6.31%	5.96%	-0.54%	0.92%	12.14%
Profit(Loss) Before Income Tax	2,606	3,034	11	528	7,013
Profit(Loss) Before Income Tax Rate	6.39%	6.29%	0.03%	1.44%	13.05%
Net Profit(Loss) for the Period	2,606	3,033	11	528	6,350
EPS(NTD)	1.82	2.11	0.01	0.37	4.42
Cash Dividend per shares	-	0.1	-	0.3	2.8
Book Value per shares	8.31	10.28	10.15	10.61	15.72

Table of Sales by Products

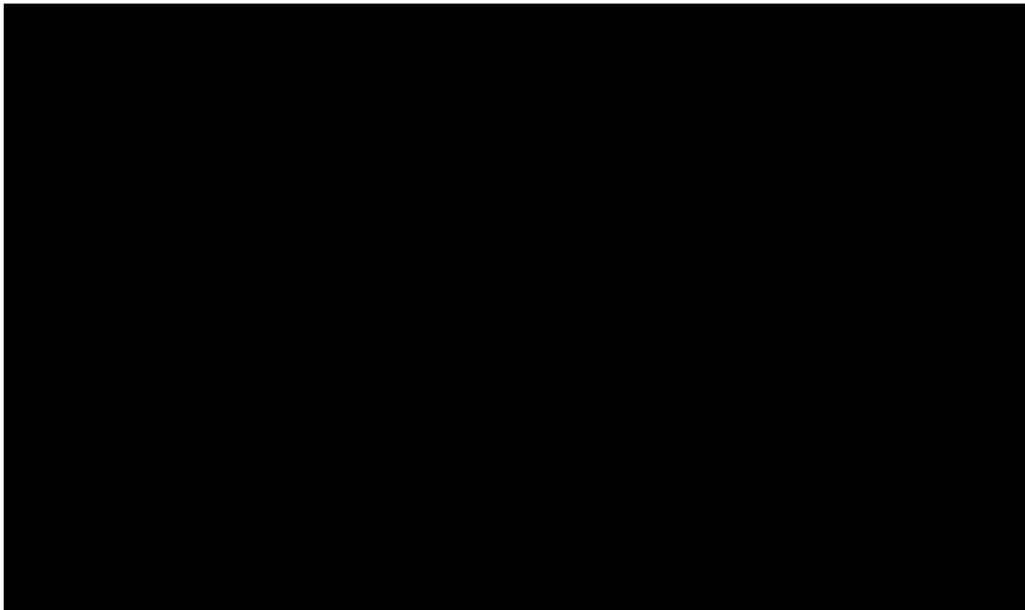


3. EXPORTER QUESTIONNAIRE ASSESSMENT

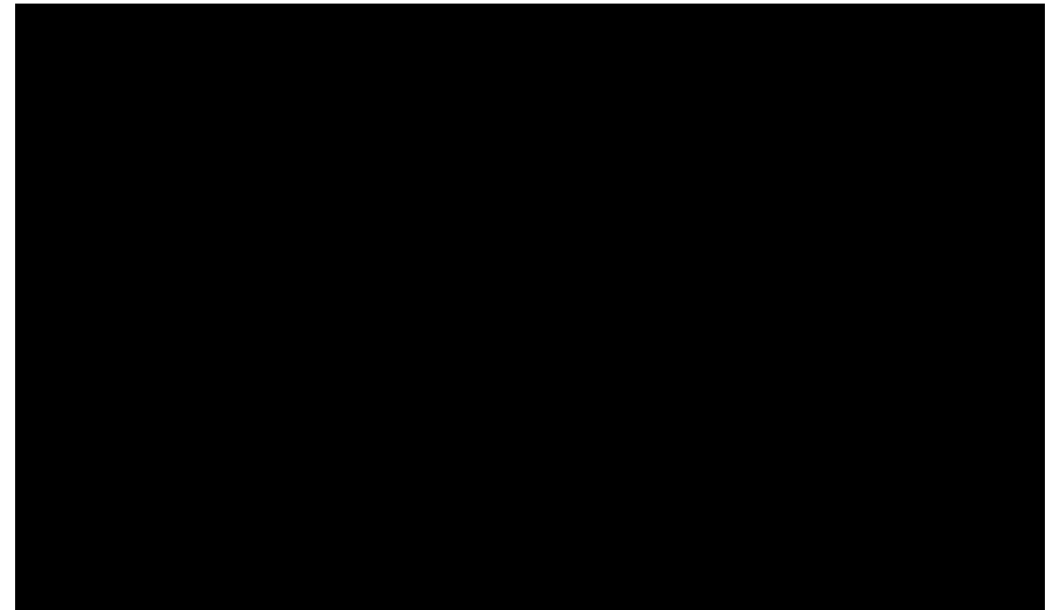
Chung Hung - Research

- o Calendar Year Mill Capacities:

Current Exporter Briefing (HRC) - 2022



Prior Exporter Briefing (HRC) - 2017



- Comparative of Taiwanese mill capacities for HRC.

3. EXPORTER QUESTIONNAIRE ASSESSMENT

Chung Hung – Research (summary)

- Key Points:
- 2021 Chung Hung Total Group Revenue \$537,440 (NT\$ million);
- HRC accounts for 79% of Steel Revenue;
- 2021 Chung Hung Sales Tonnes Approx. 2.1 million
 - i. Total export accounts for Approx. 27% of total volume at 567 thousand tons.
- [*commercial-in-confidence capacity comments*]

3. EXPORTER QUESTIONNAIRE ASSESSMENT

Shang Chen - Background

- Background:

Review 528 (HRC) Verification Report:

1

COMPANY BACKGROUND

1.1

Corporate Structure and Ownership

Shang Chen Steel Co., Ltd (SCS) is a privately-held company limited by shares that manufactures steel products. It owns and operates one facility that produces hot rolled steel products including hot rolled band, hot rolled coil and hot rolled sheet.

SCS manufactured hot rolled steel coil (HRC, or the goods) that were exported to Australia and sold on the domestic market in Taiwan during the review period.

1.2

Related Parties

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

1.2.1

Related suppliers

For SCS's production of the goods, SCS subcontracted some shearing and slitting processes and purchased some packing material during the review period, from one of its related suppliers.

See chapter 6.3 for arms length assessment.

1.3

Accounting records

SCS's financial accounts are audited and the accounting practices are consistent with the generally accepted accounting principles of Taiwan.

The verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Taiwan.

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 inland transport	Add an amount for export inland transport costs
Export packing costs	Add an amount for export packing costs
Export handling costs	Add an amount for export handling costs
Export Terminal Handling Cost	Add an amount for export terminal handling costs
Export Container Freight Station fees	Add an amount for export container freight station fees
Export documentation fees	Add an amount for export documentation fees
Export handling charge and wharf passage fees	Add an amount for export handling charge and wharf passage fees
Export trade promotion fees	Add an amount for export trade promotion fees
Export harbour service fees	Add an amount for export harbour service fees
Export commissions	Add an amount for export commissions
Export bank charges	Add an amount for export bank charges
Specification	For several export MCCs specification adjustments under section 269TAC(8) were applied to surrogate MCCs to account for the price difference
Timing adjustment	For certain models, add or deduct the difference in timing

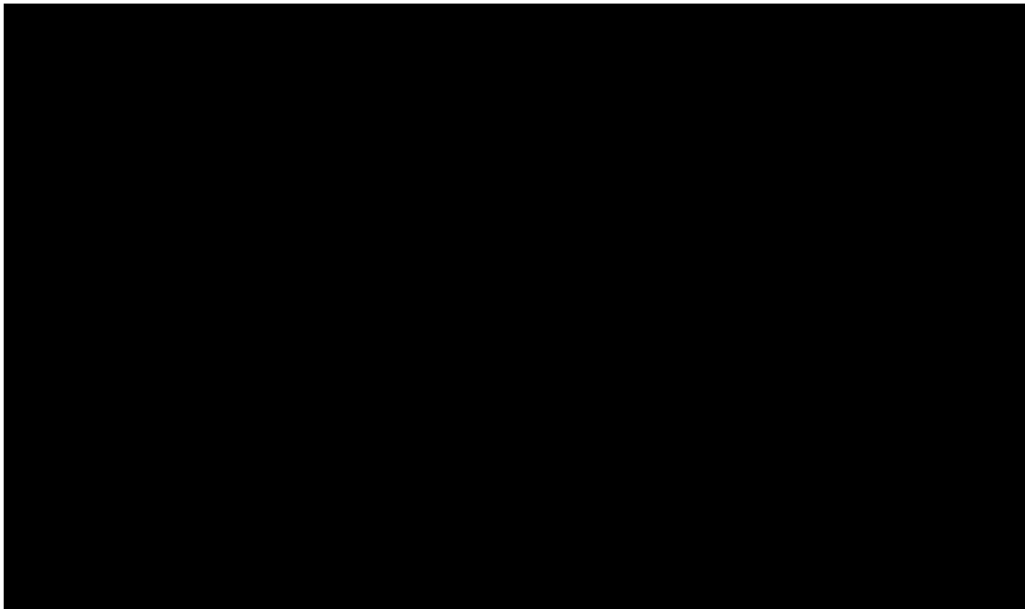
Table 8 Summary of adjustments

3. EXPORTER QUESTIONNAIRE ASSESSMENT

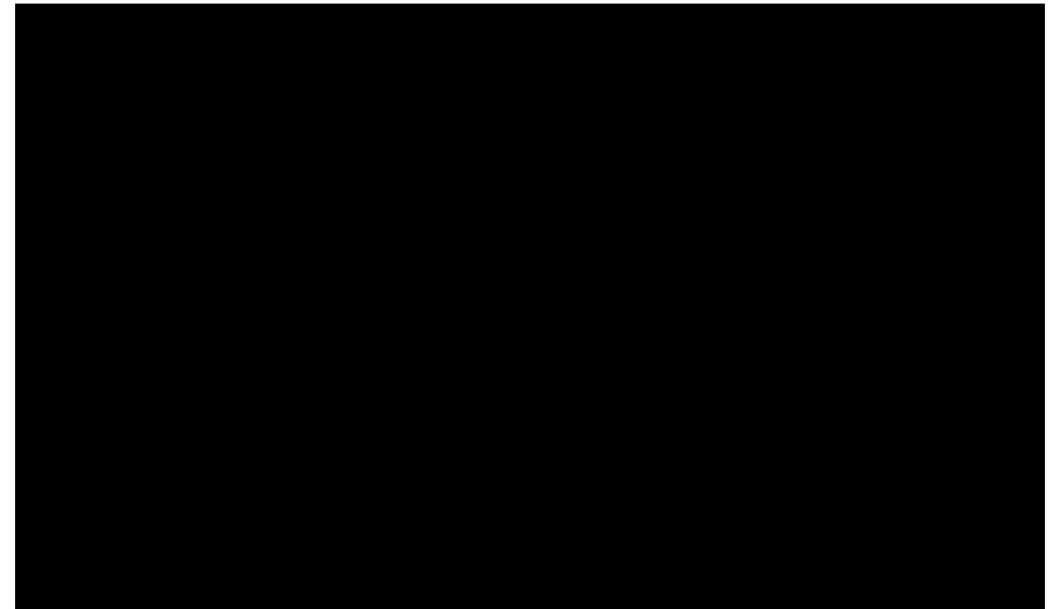
Shang Chen - Research

- Calendar Year Mill Capacities:

Current Exporter Briefing (HRC) - 2022



Prior Exporter Briefing (HRC) - 2017



- Comparative of Taiwanese mill capacities for HRC.