Australian Government
Anti-Dumping Commission

INVESTIGATION 238

ALLEGED DUMPING AND SUBSIDISATION OF CERTAIN DEEP DRAWN STAINLESS STEEL SINKS

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

VISIT REPORT – EXPORTER

Zhuhai Grand Kitchenware Company Limited

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 ANTI-DUMPING COMMISSION

September 2014

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ABBREVIATIONS

ACBPS	Australian Customs and Border Protection Service
The Act	*Customs Act 1901*
AUD	Australian dollars
China	The People's Republic of China
COGS	Cost of goods sold
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
EQR	export questionnaire response
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
Grand	Zhuhai Grand Kitchenware Company Limited
MEPS	MEPS International
the Minister	the Minister for Industry
OCOT	Ordinary course of trade
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
SASAC	State Asset Supervision and Administration Commission
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative
Tasman	Tasman Sinkware Pty Ltd
VAT	Value added tax

1 BACKGROUND AND PURPOSE

On 31 January 2014, Tasman Sinkware Pty Ltd (Tasman) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) publish a dumping duty notice and a countervailing duty notice regarding deep drawn stainless steel sinks exported to Australia from the People's Republic of China (China).

In this application, Tasman alleges that the Australian industry has suffered material injury caused by deep drawn stainless steel sinks exported to Australia from China at dumped and subsidised prices.

Tasman claims the industry has been injured through:

- lost sales volumes;
- reduced market share;
- price depression;
- price suppression;
- loss of profits and profitability;
- reduced return on investment;
- reduced capacity utilisation; and
- reduced employment numbers and wages.

Public notification of the initiation of the investigation was made on 18 March 2014 in *The Australian* newspaper and through Anti-Dumping Notice No. 2014/20.

1.1 Background to meeting

Following initiation of the investigations, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that Zhuhai Grand Kitchenware Company Limited (Grand) exported deep drawn stainless steel sinks from China to Australia in the period 1 January 2013 to 31 December 2013 (the investigation period).

The Commission notified Grand of the initiation of the investigation and sought its cooperation with the investigation and provided an exporter questionnaire for the company to complete. Grand completed the exporter questionnaire, and a non-confidential version of the questionnaire response is available on the public record.

1.2 Purpose of visit

The purpose of the visit was to verify information contained in the exporter questionnaire response (EQR) submitted by Grand.

Grand's EQR included background to its activities, export sales data to Australia and other countries, domestic sales data, cost to make and sell data and information about any grants or subsidies received from the Government of China. The EQR was supported by attachments. A non-confidential version of the EQR is available on the Public Record.

Verified information obtained during the verification visit to Grand has been used to make preliminary assessments of:

- who is the exporter and who is the importer;
- export prices;
- normal values;
- dumping margins; and
- subsidy margins.

1.3 Meeting details

Company	Zhuhai Grand Kitchenware 155 Airport West Road Jinwan District Zhuhai City China		
Dates of visit	31 July 2014 4 August 2014	- -	1 August 2014 5 August 2014

The following were present at the meetings:

Grand and Grand Representatives

Mr Yaoting Luo	General Manager	Grand
Mr Ju'an Duan	Vice Manager	Grand
Ms Zhihong Liang	Finance Manager	Grand
Ms Qunyou Zhong	Sales Manager	Grand
Ms Yunhuan Ye	Assistant Sales Manager	Grand
Ms Leah Xiang	Partner	Allbright Law Office
Mr Qing Song	Senior Associate	Allbright Law Office
Mr Jan Lan	Associate	Allbright Law Office

Anti-Dumping Commission

Mr An Chew	Acting Assistant Director	Operations 1
Mr Jukka Mäntynen	Assistant Director	Operations 1

1.4 Investigation process and timeframes

We advised Grand of the investigation process and timeframes as follows.

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2009 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 December 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

  The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 7 October 2014, or such later date as the Parliamentary Secretary allows under section 269ZHI of *the Customs Act 1901* (the Act)[1].
- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary. This final report is due no later than 19 November 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

1.5 Visit report

We informed Grand that a report of the visit (this report) would be provided to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

It was explained that, in consultation with the company, a non-confidential version of the report would be placed on the investigation's Public Record.

1.6 Cooperation

Grand was well prepared and co-operative during the verification, and supplied documentation as requested during the visit.

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

2 COMPANY INFORMATION

2.1 Company background

Grand is a limited liability company based in Zhuhai in the Guandong Province in China. Despite an ownership structure that includes several limited liability companies and some individuals, its ultimate owner is the Government of China.

Grand was established as Guangdong Metals and Minerals Import and Export Company (Zhuhai Branch) in 1994 as a trading business, buying and selling various products including baby bottles, prams and shower screens.

In 2007, it changed its name to Zhuhai Golconda Trading Corporation Limited and commenced manufacturing stainless steel sinks. In 2012, it ended its trading business and changed its name to Zhuhai Grand Kitchenware Company Limited.

[redacted]

[Confidential ownership structure]

All the shares in Grand are owned by [redacted]. [redacted] operates as a trading house that buys and sells products independently of Grand. These products are broad ranging and include sinks that it sources from an unrelated company.

[redacted] is owned by [redacted] ([redacted] per cent), [redacted] ([redacted] per cent) and 28 individuals who together hold [redacted] per cent.

Those individuals are in management positions in Grand or in another related company, [redacted], which is also owned by [redacted]. [redacted] manufactures sliver plated products such as dining accessories and does not buy from, nor sell products to, Grand.

[redacted] and [redacted] are wholly owned by Guanxing Holding Group.

Guanxing Holding Group is wholly owned by the Chinese Government through the State Asset Supervision and Administration Commission (SASAC). SASAC administers State owned assets.

Grand has indicated that it does not use other business names for export or to sell goods in China.

2.2 Principal activities

Grand's principal activities are the production and sale of deep drawn stainless steel sinks and sinks with fabricated bowls, all made of stainless steel, as well as related accessories. Sinks with fabricated bowls are not subject to this investigation. Its annual sales are approximately RMB [redacted] million. Over [redacted] per cent of the value of Grand's sales is exports. [redacted] of its exports are to Australia.

Grand sells products from its own range as well as original equipment manufactured to order. It makes all its sales on its own behalf without agents and does so in several markets including China, Europe, Oceania, the Middle East, South East Asia and the USA. Grand also sells associated accessories such as laundry cabinets and taps [redacted].

2.3 Accounting

Grand's financial year is the calendar year: 1 January to 31 December.

Grand stated that its accounting practices are conducted in accordance with the *Generally Accepted Accounting Principles* in China.

Grand advised that it maintains [redacted] cost centre and [redacted] profit centre in its accounting system. Grand uses [redacted] software for accounting.

In its EQR, Grand provided the following accounting information:

- Chart of Accounts;
- audited financial statements for 2012; and
- audited financial statements for 2013.

Grand's financial accounts are audited by Baker Tilly China.

2.4 Manufacturing details

Grand has only one production plant, which is in Zhuhai China. Grand indicated that it employs around [redacted] people.

Grand purchases stainless steel coil from up to [redacted] different suppliers. For deep drawn stainless steel sinks, Grand cuts the steel to size as required. For fabricated sinks, Grand purchases stainless steel sheets that are pre-cut to required sizes and shapes.

Grand stated that it has the capacity to manufacture around [redacted] sinks per year when the plant operates on one shift per day.

2.4.1 Production range

Grand's principal activities are the production and sale of stainless steel sinks and related accessories. Its range includes over 200 designs of sinks. Grand also manufactures fabricated sinks that are not deep drawn.

Grand produces the stainless steel components for waste baskets and sources other parts from other companies in China. Grand completes the assembly and sells the strainers as accessories. Other accessories, such as chopping boards, are sourced from other companies in China.

2.4.2 Production Process

At the verification visit, we observed the deep drawn sink manufacturing operation. The production process is conducted as follows:

- Grand purchases stainless steel coil in thicknesses of [redacted]mm, [redacted]mm and [redacted]mm for the manufacture of deep drawn stainless steel sinks;
- the steel is unrolled from the coil and cut into certain sized sheets as required;
- Grand also purchases stainless steel sheets that have been cut to size for certain products that require a textured finish;
- the sheets undergo a process that includes;
  - punching
  - drawing
  - shaping
  - cutting
  - stamping
  - rolling the edges
  - folding the edges
- corners and, if required, drainer trays and bowl sections are welded and the welds are ground;
- installation components are fixed;
- holes are punched;
- the product is polished in various stages using both manual and automated processes;
- the product is washed;
- a deafening pad is attached;
- quality checking is conducted at every stage of the process; and
- the finished product is packaged with accessories.

2.5 Related parties

2.5.1 Customers

Grand submitted that it is not related to any of its customers, either on the domestic or third country export market. We found no evidence of any relationship other than a commercial buyer/seller relationship between Grand and any of its customers.

2.5.2 Suppliers

Grand advised that its main supplier of stainless steel is [redacted], which is its parent company (see section 5.3.1 below for an analysis of the arms length nature of those purchases). It submitted that it is not related to any of its other suppliers and we found no evidence to contradict this.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods

The goods under consideration (the goods) are:

Deep drawn stainless steel sinks with a single deep drawn bowl having a volume of between 7 and 70 litres (inclusive), or multiple drawn bowls having a combined volume of between 12 and 70 litres (inclusive), with or without integrated drain boards, whether finished or unfinished, regardless of type of finish, gauge, or grade of stainless steel and whether or not including accessories.

Additional product information

The application contains the following further information in relation to the goods the subject of the application.

For the purposes of this definition, the term ''deep drawn'' refers to a manufacturing process using metal forming technology to produce a smooth basin with seamless, smooth, and rounded corners. Deep drawn stainless steel sinks are available in various shapes and configurations and may be described in a number of ways including flush mount, top mount, or undermount (to indicate the attachment relative to the countertop). Stainless steel sinks with multiple deep drawn bowls that are joined through a welding operation to form one unit are covered by the scope of the investigations. "Finished or unfinished" refers to whether or not the imported goods have been surface treated to their intended final "finish" for sale. Typically, finishes include brushed or polished.

Deep drawn stainless steel sinks are covered by the scope of the investigation whether or not they are sold in conjunction with accessories such as mounting clips, fasteners, seals, sound-deadening pads, faucets (whether attached or unattached), strainers, strainer sets, rinsing baskets, bottom grids, or other accessories.

Excluded from the definition of the goods the subject of this application are stainless steel sinks with fabricated bowls. Fabricated bowls do not have seamless corners, but rather are made by notching and bending the stainless steel, and then welding and finishing the vertical corners to form the bowls. Stainless steel sinks with fabricated bowls may sometimes be referred to as "fabricated sinks''.

Deep drawn stainless steel sinks are commonly used in residential and non-residential installations including in kitchens, bathrooms, utility and laundry rooms. When used in the context of bathrooms, deep drawn stainless steel sinks may there be referred to, for marketing purposes, as "wash basins". As noted above, deep drawn stainless steel sinks may have may, or may not, have a single (or multiple) integrated drain board that forms part of the sink structure, designed to direct water into the sink bowl.

3.1.1 Tariff classification

The application states that the goods are classified within tariff subheading 7324.10.00 (statistical code 52), in Schedule 3 of the *Customs Tariff Act 1995.*

The rate of duty payable is 5 per cent.

3.2 Grand's sale of the goods and like goods

At C-3 of the EQR, Grand states that:

> *Due to different customer requirements between Australia market and domestic market, the goods sold on Australia market by Grand during the IP cannot be compared with the goods sold on domestic market. The main difference is that the majority of products under concerned sold to Australia has one drainer board, but the goods sold on domestic market do not has the drainer board.*

3.2.1 The Commission's assessment

In Confidential Exhibit C-2, Grand provided a list of product codes of sinks exported to Australia in the investigation period. Some of these product codes match product codes of goods Grand sold in the domestic market in the investigation period. We checked this against descriptions and images in Grand's catalogue and found them to be identical products. Out of [redacted] different models that were exported to Australia, [redacted] were also sold on the domestic market.

However, for export products that do not have identical models sold on the domestic market, we consider that the physical characteristics between different models are such that adjustments for physical different cannot reasonably be made.

Therefore, for those models that were exported to Australia but not sold on the domestic market, we consider that it would be unsuitable to use domestic sales data to determine the normal value of those goods under section 269TAC(1) of the Act, as it is not possible to undertake a proper comparison between domestic and Australian sales due to the significant physical differences between the products sold to each market.

4 EXPORT SALES TO AUSTRALIA

4.1 General

Grand indicated in data submitted with its EQR that it has [redacted] customers in Australia; [redacted].

In its EQR, Grand provided a detailed export sales spreadsheet titled *Exhibit B-4 Export Sales Summary* listing sales to Australian customers. At the start of the visit, Grand provided us with an updated export sales spreadsheet. It explained that the original spreadsheet inadvertently left out some port expenses and it also identified some errors which were fixed in the revised version.

At the visit, we also noticed that Grand exported laundry sinks with cabinets to Australia during the investigation period. We advised Grand that laundry sinks with cabinets sold as a kit are outside the scope of the goods. Therefore, Grand revised the export sales spreadsheet with these products excluded.

4.1.1 Export sales process

In its EQR, Grand described the export sales process as follows:

> *The customer shall inquire about the prices for certain products they want to purchase and Grand shall provide them with price quotes. Grand negotiates with the customers for quantities, values and scheduled shipping dates, etc. The customers might give counter offers and PO shall be issued by the customers if mutually acceptable prices can be reached. Grand did not use price list in its sale to Australia of the product under concerned.*

Grand indicated that the product requirements in terms of size, number of bowls, accessories and packaging vary between different customers. Grand prepares a price and delivery quotation based on these requirements. When an order is accepted, Grand manufactures the goods or draws them from inventory according to the purchase order that is placed.

Grand stated that price differences between customers are the result of negotiations and are not based on differences in distribution channels or the level of trade.

4.2 Verification of export sales to audited financial statements

We sought to verify the completeness and relevance of Grand's export sales spreadsheet by reconciling it to audited accounts.

Grand provided us with a spreadsheet containing a complete download of all sales transactions in 2013 from its sales system (**confidential attachment EXP 1**) and identified whether each transaction was the goods or not, and whether it was sold domestically, export to Australia or exported to a third country based on the customer. We were able to reconcile the total invoice value from the spreadsheet to the total revenue as reported in its 2013 audited financial accounts. We were then able to reconcile the all sales spreadsheet to the Australian export sales spreadsheet by filtering for the goods exported to Australia.

Having reconciled the export sales spreadsheet to audited financial accounts, we are satisfied that it represents a complete and relevant listing of all export sales of deep drawn stainless steel sinks export to Australia by Grand.

4.3 Verification of export sales to source documents

4.3.1 Exports to Australia

Prior to the visit, we selected 12 sales from the export sales summary spreadsheet and Grand was requested to provide source documents in relation to each invoice. For each selected invoice, Grand provided copies of the following documents at **confidential attachment EXP 2**:

- purchase order;
- order confirmation by *pro forma* invoice;
- commercial invoice;
- packing list;
- inland transport invoice;
- proof of payment of inland transport invoice;
- invoice for port documentation, container sealing, telex release and terminal handling costs;
- proof of payment of port documentation, container sealing, telex release and terminal handling costs;
- invoice for Customs declaration fees;
- proof of payment of Customs declaration fees;
- bill of lading; and
- proof of payment from the Australian customer to Grand.

During the visit, we found various discrepancies between the information in the documentation provided and entries in the Australian sales summary spreadsheet. On each occasion, we examined these discrepancies in detail and Grand was able to provide adequate explanations and, where required, amend the spreadsheet. These issues included the inclusion of transactions which were not the goods, such as cabinets and accessories. We informed Grand that laundry sinks with cabinets in kits are not subject to the investigation.

In order to check the accuracy of the amended spreadsheet, we undertook an analysis of any outliers and selected six further transactions. We were able to match the data in the commercial invoices to the spreadsheet, however, we initially experienced difficulties with verifying inland transport, handling and other costs, which required Grand to undertake another amendment to the export sales spreadsheet. These issues are discussed in section 4.3.4 below.

The source documents, including proof of payment of the selected sales, are at confidential attachment EXP 2**.**

4.3.2 Quantity

We checked details in the Australian sales summary spreadsheet, including export sales quantity and net invoice value. By dividing the net invoice value by quantity, we could derive a unit price. Some unit prices were either a great deal higher or lower than most items that were listed. We found that these were entries for products that are not the goods, such as accessories, extra packaging, laundry cabinets and taps.

Grand indicated that these incorrect entries occurred due to errors it made when preparing the spreadsheet. After Grand provided its final, corrected spreadsheet, we found that the respective amounts in purchase orders, order confirmations, commercial invoices, and packing slips matched.

4.3.3 Shipping terms

We checked the shipping terms data in the export sales summary spreadsheet and found it matched the shipping terms in the purchase orders, order confirmations and commercial invoices. We checked invoices for Customs declaration fees and invoices for port documentation, container sealing and terminal handling costs and found that Grand had entered the correct shipping terms.

We found that zero values were incorrectly entered for inland transport, handling and other costs for some sales that were on FOB or CFR terms. After Grand provided its final, corrected spreadsheet, we found these entries were fixed and were able to check inland transport, handling and other port charges

4.3.4 Inland transport, handling and other costs

Grand stated that it calculated export inland transport, handling and other port charges by allocating the total amount incurred in 2013 across the transactions by invoice value. However, on examining the source documents, we noted that Grand provided source documents for inland transport and port charges and therefore had the ability to calculate these expenses more accurately for each export sale. We requested that Grand update these expenses in the export sales spreadsheet based on the actual expenses incurred for each export sale. In particular, to assist with the verification, we requested that Grand provide an updated spreadsheet that included the formulae for allocating inland transport, handling and other costs to individual items on each respective invoice.

As indicated in 4.3.1 above, we initially experienced difficulties with verifying inland transport, handling and other costs. Specifically, we could not reconcile these costs to the source documents as the amounts entered in the spreadsheet was hard coded and we couldn't replicate the calculations to match the amounts listed in the spreadsheet. We requested that Grand provide us with another version of the export sales spreadsheet that included the formulae calculating these costs for each transaction.

We checked, and found, that the formulae that were added to the spreadsheet were appropriately applied across all transactions, rather than only on those sales for which documentation had been requested.

After Grand provided its final, updated spreadsheet, we were able to reconcile inland transport, handling and other costs to the source documents matched.

4.3.5 Payment terms

We confirmed by examining export documentation and relevant company records that sales by Grand to Australian customers during the investigation period were on terms that ranged from the requirement to lodge deposits and balance due on the Bill of Lading date, to payment being required [redacted] days after the Bill of Lading date.

We checked payment terms as indicated in the export sales summary spreadsheet and initially found some typographical errors. Grand provided us with a table showing the credit terms afforded to each customer, which reconciled to the source documents, and we used this table to fill in the payment term column in the export sales spreadsheet.

4.3.6 Currency

We confirmed by examining export documentation and relevant company records that all sales by Grand to Australian customers during the investigation period were in US dollars.

Accounting practices in China require accounting records to be kept in RMB. Grand indicated that the exchange rate reported at the start of the month by on the People's Bank of China was used in the export sales summary spreadsheet to convert its sales amounts from US dollars into RMB in the respective month.

4.3.7 Ocean freight

Approximately [redacted] per cent of sales by Grand to Australia in 2013 were found to be at the FOB level.

We confirmed by examining export documentation and relevant company records that for all sales by Grand to Australian customers on FOB terms during the investigation period, Grand did not incur or pay ocean freight costs.

For sales that incurred ocean freight costs, we found that Grand allocated the cost of ocean freight according to the proportion of the shipment that consisted of the goods by value.

4.3.8 Conclusion

After Grand corrected the errors in its initial data and those errors that we found during the verification visit, and having been able to reconcile Grand's export sales spreadsheet down to source documents, we consider that the information in the Australian sales summary spreadsheet is accurate.

4.4 The exporter

The Commission will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

Where there is no principal in the country of export the Commission will normally consider the exporter to be the person who gave up responsibility for the good as described above.

All documents that were provided and examined confirm that Grand was the exporter of the goods during the investigation period as Grand:

- is the manufacturer of the goods;

- owned the goods at the time of export;
- is the 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 freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods.

4.5 The importer

Having reviewed relevant information gathered at this verification, we consider that for Grand's export sales of deep drawn stainless steel sinks, the various companies listed in the Australian sales summary spreadsheet respectively should be considered the importers of the goods. Those companies respectively:

- are listed as the importers on the customs entry;
- are listed as the consignees on the Bill of Lading;
- are invoiced by Grand for the goods; and
- pay Grand directly (via telegraphic transfer) for the goods.

Consequently, we consider that Grand's customers to be the beneficial owners of the goods at the time of importation, and therefore the importers.

4.6 Arm's length

In respect of export sales to Australia during the investigation period, no evidence was found to indicate that:

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

Having regard to all the circumstances of the sales in question the export sales can be treated as arm's length transactions section 269TAA(1A) of the Act.

4.7 Export price – preliminary assessment

In respect of export sales to Australia during the investigation period:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arm's length transactions.

We recommend that the export price be determined under subsection 269TAB(1)(a) as the price paid by the importer less any charges incurred after exportation.

Details of the export price calculations are at **confidential appendix 1**.

5 COST TO MAKE & SELL

5.1 General

In its EQR, Grand provided a spreadsheet detailing its monthly cost to make and sell (CTMS) sinks by product code over the investigation period. The spreadsheet contained the CTMS of deep drawn stainless steel sinks manufactured by Grand and sold domestically or exported to Australia and is broken down into the following items:

- Net stainless steel;
- Accessories;
- Labour; and
- Manufacturing.

Grand stated that the cost to make (CTM) data provided in its EQR was directly extracted from its accounting system, which allows Grand to generate monthly costing reports for each model. It also stated that it calculated selling, general and administrative expenses separately from its profit and loss statement and associated ledgers.

At the beginning of the verification visit, Grand advised that in preparing for the visit, it discovered that some formula errors in the spreadsheet and one sink model was inadvertently excluded. It provided us with an updated CTMS spreadsheet at **confidential attachment CTMS 1**.

5.2 Verification of production costs to audited financial statements

We sought to verify the completeness and relevance of the CTM data provided by Grand in its EQR by reconciling it to its audited financial accounts.

To demonstrate this, Grand provided us with its CTM working spreadsheet that listed the CTM of all sinks it manufactured (**confidential attachment CTMS 2**). It explained that this working spreadsheet was the same as the one submitted in its EQR except for handmade sinks (which are not the goods) and models that were exclusively destined for third countries (i.e. not sold domestically or exported to Australia).

Grand then provided us with a detailed ledger of its main operating costs for 2013 (**confidential attachment CTMS 3**), which showed the total costs of manufacturing sinks by product code, which categorised the products into the following:

- Accessories;
- Sinks – purchased;
- Sinks – manufactured; and
- Scrap.

We noted that the total main operating costs in the ledger matched Grand's audited profit and loss statement. Grand then demonstrated the reconciliation of the ledger (confidential attachment CTMS 3) to its CTMS working spreadsheet (confidential attachment CTMS 2). It explained that its ledger includes the 8% non-refundable export VAT and, after removing this amount, we were able to reconcile the figures with a variance of less than 1% (**confidential attachment CTMS 4**).

As we were able to reconcile the CTMS spreadsheet to audited financial statements, we are satisfied that it is complete and relevant.

5.3 Verification of production costs to source documents

We sought to verify the accuracy of the CTM data by reconciling it down to source documents and asked Grand to demonstrate this using model YH236C in December as the example. Grand provided us with a bill of material for sink model YH236C for a particular order (**confidential attachment CTMS 5**). It explained that different orders for the same sink model may have different bill of materials depending on the accessories required by the customer. Therefore, in addition to the stainless steel, the bill of materials also includes any accessories included in the order, such as the waste basket and bypass pipes. We asked for, and Grand provided, a copy of the corresponding invoice relating to that bill of material (**confidential attachment CTMS 6**) and were able to match the accessories on the invoice to the bill of materials.

5.3.1 Stainless steel costs

The bill of materials shows the quantity, unit price and total value of each item listed. We advised Grand that we wanted to verify the quantity and unit price of stainless steel.

Grand stated that for stainless steel, [redacted] [Contents of the bill of materials]. It showed us the information for model YH236C, which matches the information contained in the bill of materials.

We then sought to verify the unit price of the stainless steel. Grand advised that the price of the steel is calculated using the [redacted]. Grand provided us with its inventory ledger for the stainless steel used for model YH236C (**confidential attachment CTMS 7**) and was able to demonstrate this calculation. We were then able to match the unit value shown on the ledger to the bill of materials. The inventory ledger showed that there was only one purchase of the relevant stainless steel and Grand was able to provide a copy of that purchase invoice and proof of payment related to that purchase (**confidential attachment CTMS 8**).

We then sought to reconcile the stainless steel cost shown on the bill of materials to the CTMS spreadsheet. Grand stated that the raw stainless steel cost is reduced by a steel utilisation factor to determine the net cost of stainless steel used. It explained that the steel utilisation factor takes into account the scrap steel sales and the raw steel consumption during the month. This means that the steel cost is effectively net of scrap revenue.

Grand provided us with the calculation of the steel utilisation factor for December (**confidential attachment CTMS 9**). As part of this demonstration, Grand provided us with its December operating income ledger, which included an entry for scrap income, and all its scrap sale invoices for the month, which reconciled to the ledger.

Using the steel utilisation factor for December, we were able to reconcile the steel cost shown on its bill of materials to the CTMS spreadsheet for model YH236C in December.

To obtain an additional level of confidence in its CTMS data, we requested, and Grand provided, the same package of documents as above, but for sink model NH357SF for May 2013 & model DB506C for August 2013 (**confidential attachments CTMS 10 & 11**) and we were able to reconcile the stainless steel cost data in the CTMS spreadsheet down to the source documents.

As discussed in section 2.5.2 above, Grand purchases stainless steel from its parent company, [redacted]. In section G-6 of its EQR, Grand stated that although is stainless steel purchases are from a related company, the unit price is more expensive than the normal market prices. We undertook an analysis of Grand's stainless steel purchases based on its spreadsheet of all stainless steel purchases (verified in section 11.3 below) provided in the EQR. We found that there were two months where Grand purchased stainless steel coil from [redacted] and an unrelated supplier, [redacted] and observed that the unit price of stainless steel from [redacted] was higher than purchases, in the same month, from the unrelated supplier (**confidential attachment CTMS 12**).

5.3.2 Stainless steel uplift

Following the verification visit, on 13 August 2014, the Commissioner of the Anti-Dumping Commission (the Commissioner) released a PAD that deep drawn stainless steel sinks exported to Australia from China had preliminarily been assessed to have been dumped, and that this dumping was causing material injury to the Australian industry producing like goods. Refer to *PAD Report 238*, available on the Public Record.

As part of this preliminary finding of dumping, the Commissioner made a preliminary determination that the costs of stainless steel raw materials incurred by Chinese exporters of the goods do not reasonably represent competitive market costs for the purposes of Regulation 180(2) of the *Customs Regulations 1926.* Consequently, the Commission replaced the stainless steel raw material costs recorded by Chinese exporters with a reasonably competitive market substitute, determined to be a MEPS International (MEPS) world composite price.

In light of this preliminary finding, for the purposes of this report, we have substituted the cost of stainless steel incurred by Grand in its manufacture of deep drawn stainless steel sinks, using the same MEPS International world composite determined for the PAD. However, the MEPS composite has been amended to determine a delivered MEPS composite price using the verified average incurred delivery costs incurred by Chinese stainless steel sinks exporters in purchasing stainless steel coil in China during the investigation period (the PAD MEPS composite used delivery values verified during a previous investigation of the Commission).

5.3.3 Accessories

As explained above, the bill of materials for each order may differ from order to order for the same product due to the different accessories requested by its customers. In order to verify its accessory costs, Grand provided us with an extract of a report from its accounting system that details the costs of manufacturing sink model YH236C in December by order number and broken down into the individual cost items, with one of the items being accessories (**confidential attachment CTMS 13**). We were able to match the total accessory cost for model YH236C in December shown on the report to the CTMS spreadsheet. Grand then demonstrated how the accessory cost shown on this report reconciled to the bill of materials. We then selected two accessory items for further verification down to source documents. Specifically, we selected the [redacted] and the [redacted]. Grand explained that, similar to stainless steel costs, it calculates the cost of accessories using the [redacted] and provided us with the relevant inventory ledgers (**confidential attachment CTMS 14**) which reconciled to the bill of materials. Grand then provided us with the purchase invoices of the two selected accessories during December 2013 (confidential attachment CTMS 14) which reconciled to the inventory ledgers.

We noted that although the total accessory costs for the model for the month in aggregate is accurate, the accessory cost for each sale is dependent on the accessories included in the order. We informed Grand that in order to accurately compare the cost and revenue of its domestic and export sales transactions line by line, we need to have regard to the actual cost of the accessories of each sale. Therefore, we requested, and Grand provided, a complete listing of the monthly costing report for all sales of sinks by model and order in 2013 (**confidential attachment CTMS 15**).

5.3.4 Labour costs

Grand stated that its total labour costs for each month is [redacted] [Labour cost allocation methodology].

Grand provided us with a copy of its labour cost of production ledger for December 2013 and the amounts allocated to sinks, accessories and downgrade products (**confidential attachment CTMS 16**). It explained that labour cost is allocated to [redacted] [labour cost allocation methodology] and consider this to be reasonable.

We were then able to reconcile the total labour production cost for sinks to the CTMs spreadsheet and verified that the allocation was based on steel weight.

<u>Overtime compensation</u>

Grand stated that in 2013, it paid RMB [redacted] to staff in compensation arising from an industrial dispute regarding overtime payments during the period from January 2008 to June 2013. However, Grand advised that this payment was booked to labour costs ledger over 5 months between August and December 2013. Therefore, an adjustment was required to labour costs to remove the compensation payments.

Grand provided us with the compensation agreement, proof of payment and relevant account ledgers that showed the compensation being allocated to production labour costs over the 5 months (**confidential attachment CTMS 17**). It then explained that it calculated the amount of compensation to be offset for labour costs associated with sinks, having regard to work-in-progress and the first 6 months of 2013 that the compensation agreement covered (**confidential attachment CTMS 18**). We calculated that the compensation offset allocated to the finished sinks between August and December 2013 as a percentage of the total compensation payout that covered the period prior to 2013 (i.e. excluding January to June 2013) was [redacted]%. We consider this to be a conservative but reasonable allocation. Grand then recalculated the labour cost per unit of stainless steel weight with the compensation allocation deducted and applied this rate in the CTMS spreadsheet.

5.3.5 Manufacturing costs

Grand stated that it allocates manufacturing costs in a [redacted] [manufacturing cost allocation methodology]. It provided us with the relevant ledgers to demonstrate the allocations for December 2013 (confidential attachment CTMS 16). We calculated that over [redacted]% of manufacturing costs were allocated to sinks and consider this to be reasonable.

Grand explained that like labour costs, it allocates the total sink manufacturing costs to each model based on [redacted], which we were able to verify to the CTMS spreadsheet.

We note that manufacturing costs includes, inter alia, wages, depreciation, packaging, consumables and utilities.

<u>Depreciation</u>

We selected depreciation for further verification and sought to verify depreciation costs down to its deprecation schedule. We noted that the manufacturing cost ledger included a line for deprecation. Grand provided us with a copy of its December 2013 journal entry for deprecation that itemised deprecation costs into administration, sales and manufacturing (**confidential attachment CTMS 19**). We were able to match the manufacturing deprecation in the manufacturing cost ledger to the journal entry. We were then able to match the total deprecation on the journal entry to its deprecation schedule for December 2013 (**confidential attachment CTMS 20**).

5.3.6 Production volume

We sought to verify the production volume, in units, reported in the CTMS spreadsheet. Using the production of YH236C in December as an example, Grand provided us with its December production report for model YH236C which lists the order and quantity of units manufactured (**confidential attachment CTMS 21**). We were able to match the total volume between the production report and the CTMS spreadsheet.

Grand then provided us with a “bill of finished product to inventory” for a particular order (**confidential attachment CTMS 22**), and we were able to reconcile the unit of products produced of model YH236C from the bill to the production report.

5.4 Selling, general and administrative expenses

Grand stated that it calculated selling, general and administrative (SG&A) expenses as an amount per unit based on expenses in its profit and loss statement. It advised that it allocated the expenses to domestic and export sales on a pro rata basis by revenue before calculating an SG&A amount per unit. It also advised that there were a number of expenses specific to exports which it allocated to export sales only. We considered this to be reasonable, however, we noted that transportation and customs fees were also included in the SG&A calculations therefore, as these expenses were identified in the export sales spreadsheet, we excluded these expenses from the SG&A calculation to avoid double count.

Grand's SG&A calculations are provided at **confidential attachment CTMS 23**

5.5 Costs to make and sell – conclusion

Having verified Grand's CTMS deep drawn stainless steel sinks up to audited financial accounts and down to source documents, we are satisfied that it is complete, relevant and accurate.

Grand's verified CTMS deep drawn stainless steel sinks spreadsheet is at **confidential appendix 2**.

6 DOMESTIC SALES

6.1 General

Grand's domestic sales include sales to retailers, individuals, property developers, builders and retailers. These customers are mainly located in the Zhuhai area where Grand is located.

6.2 Domestic sales process

The domestic sales process conducted by Grand can be described as follows:

[redacted]

6.3 Price negotiation

Grand indicated to us that it does not maintain a price list. Rather, it negotiates prices with customers after providing an initial quotation.

Grand stated that its prices do not vary according to the level of trade or which distribution channel the goods are sold in. Grand stated that the prices of individual products vary according to their size, the number of bowls and which accessories are included.

6.4 Domestic sales data submitted by Grand

In its EQR, Grand provided a detailed export sales spreadsheet titled *Exhibit D-4 Domestic Sales Summary* listing sales to Australian customers. At the start of the visit, Grand provided us with an updated domestic sales spreadsheet. It advised that while preparing for the verification, it discovered that two domestic sales of sinks, relating to one particular order, were inadvertently missed from the spreadsheet.

6.5 Verification of domestic sales to audited financial statements

We sought to verify the completeness and relevance of Grand's domestic sales spreadsheet by reconciling it to audited accounts.

As discussed in section 4.2 above, Grand provided us with a spreadsheet containing a listing of all sales during 2013, which reconciled to its audited financial accounts.

Using this spreadsheet, we were able to reconcile it to the domestic sales spreadsheet by applying the appropriate filters for domestic sales of the goods.

Having reconciled the domestic sales spreadsheet to audited financial accounts, we are satisfied that it represents a complete and relevant listing of all domestic sales of deep drawn stainless steel sinks by Grand.

6.6 Verification of sales to source documents

Prior to the visit, 12 domestic sales transactions were selected for detailed verification. The 12 domestic sales transactions were selected from the detailed domestic sales spreadsheet that Grand submitted as part of its EQR. Grand was asked to prepare evidence to support the spreadsheet data for the selected domestic transactions. At the visit, Grand supplied 12 sets of documents containing the following:

- purchase order confirmation;
- invoice; and
- proof of payment of invoice.

Some sets of documents did not include invoices. Grand stated that this occurred due to some customers making spot purchases on ex-works terms and without credit and not requiring an invoice. We found that these sales were fully recorded in Grand's system.

Similar to the export sales spreadsheet (see section 4.3 above), we found various discrepancies in the domestic sales spreadsheet and worked through these issues with Grand.

Similarly, we also undertook an analysis of outliers in the domestic sales spreadsheet and selected six further transactions, which we were able to match the data in the commercial invoices to the spreadsheet.

The source documents, including proof of payment of the selected sales, are at **confidential attachment DOM 1.**

6.6.1 Payment terms

Grand does not provide credit terms to its domestic customers. Grand requires payment on collection of goods and in some cases requires some part of the payment in advance.

We found no evidence after checking order confirmations, commercial invoices and proof of payments to Grand that it provides credit terms to its customers.

6.6.2 Inland transport

Domestic sales by Grand are generally on an ex-works basis. We found [redacted] sales that were listed as on an FOB basis. Grand indicated that these actually were domestic sales where the goods were delivered to the customer. For [redacted] of these sales, Grand indicated that it was able to provide delivery free of charge because its vehicle was already travelling to the respective local area. [redacted] domestic sale was found where transport costs were charged. The delivery was conducted by a transport company and the amount was recorded against that sale in the domestic sales spreadsheet.

6.6.3 Conclusion

All the documentation provided by Grand in respect of domestic sales has been examined and checked against the information in the domestic sales summary spreadsheet.

On the basis of downwards verification to source documents, the data in the amended domestic sales summary spreadsheet is accurate. On the basis of upwards verification to audited financial statements, the data in the domestic sales summary spreadsheet is complete and relevant.

6.7 Arm's length

In respect of domestic sales of deep drawn stainless steel sinks by Grand during the investigation period, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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;
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated, or otherwise receive a benefit for, or in respect of the whole or any part of the price.

As such, domestic sales can be treated as arm's length transactions under section 269TAA of the Act.

6.8 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been sold in the ordinary course of trade (OCOT).

In order to test whether the domestic sales are in the OCOT, we first tested the profitability of each transaction individually by comparing the unit selling price to the corresponding quarterly weighted average CTMS, with the stainless steel uplift in accordance with Regulation 180(2), for each model based on the product code. Where the volume of unprofitable sales exceeds 20% for the product code, we then tested the recoverability of the unprofitable sales by comparing the unit selling price to the corresponding weighted average CTMS over the whole of the investigation period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.

6.9 Sufficient volumes

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of a factor in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in section 269TAC(14) as less than 5% of the total volume of the goods that are exported to Australia by the exporter.

As discussed in section 3.2.1 above, there were [redacted] out of [redacted] export models of deep drawn stainless steel sinks that were also sold on the domestic market. Out of the [redacted] models, we found [redacted] models with sufficient volumes of domestic sales. This equates to [redacted]% of the volume of export sales during the investigation period that has sufficient volumes of identical models sold on the domestic market.

6.10 Profit

As discussed in section 3.2.1 above, were there are no identical export models sold on the domestic market, we do not consider that domestic sales of deep drawn stainless steel sinks are suitable for determining normal values under section 269TAC(1). Instead, for those models, we consider that normal values should be based on constructed costs and an amount for profit.

We calculated the profitability of domestic sales of deep drawn stainless steel sinks by comparing the selling price with the corresponding quarterly CTMS (without the stainless steel uplift). In calculating the profit, we have only included domestic sales made in the ordinary course of trade[2].

The profitability of domestic sales of like goods made in the ordinary course of trade during the investigation period, as a percentage of CTMS, was [redacted]%.

6.11 Domestic sales – conclusion

We found sufficient volumes of domestic sales of deep drawn stainless steel sinks for [redacted] export sales models that were arms length transactions and sold at prices that were in the ordinary course of trade. For these models, we have are satisfied that the domestic selling prices are suitable of determining normal values under section 269TAC(1) of the Act.

The domestic sales spreadsheets, including OCOT tests and profit calculations, are at **confidential appendix 3**.

[2] Regulation 181A(2)

7 THIRD COUNTRY SALES

In its EQR, Grand provided a summary its deep drawn sink export sales to third countries.

As we considered that we were in possession of enough verified information from the submission and our visit to calculate normal values for deep drawn stainless steel sinks using domestic sales or a construction method, we did not undertake detailed verification of the third country data.

In addition, as discussed in section 3.2.1 above, we consider that normal value for certain models should not be established under section 269TAC(1) with reference to domestic sales. We considered the reasonableness of comparing Grand's export sales to Australia to its sales to third countries in accordance with section 269TAC(2)(d).

We consider that, similar to the reasons that domestic sales are not suitable for determining normal values, due to differences in physical characteristics, we also consider that third country sales to be unsuitable for the purposes of establishing normal values.

For those models exported to Australia that had insufficient OCOT sales in the domestic market and were exported to third countries, we consider that the sales to third countries for those models are not appropriate for determining normal values, having regard to the quantity of like goods sold to the third country (**confidential attachment THD 1**).

8 ADJUSTMENTS

8.1 General

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made.

8.2 Domestic inland freight

As outlined in section 6.6.2 above, most of the domestic sales were conducted at an ex-works basis. For the domestic sales that included delivery, we applied a downwards adjustment for inland freight to arrive at an ex-works price.

8.3 Export inland freight, handling and port charges

As discussed in section 5.4 above, the SG&A expense excluded inland transport, handling and port charges. In addition, domestic sales are generally sold at an ex-works basis. Therefore, we made an upwards adjustment for export inland freight, handling and port costs using the actual costs for each export sales transaction.

8.4 Export sales expense difference

As discussed in section 5.4 above, there were specific expenses that were only relevant to export sales. This resulted in a difference of RMB[redacted] per unit between the domestic and export SG&A expenses. Therefore, we consider it appropriate to make an upwards adjustment for this difference.

8.5 Non-refundable value-added tax

Grand incurs a non-refundable value-added tax (VAT) expense on export sales to Australia of 8%, being the difference between the VAT amount of 17% less 9% VAT refund on export sales of deep drawn stainless steel sinks. Therefore, we applied an upwards adjustment of 8% to the normal value.

8.6 Export credit terms

We made an upwards adjustments for export credit terms based on the number of days provided by Grand to its customers as discussed in section 4.3.4 above. The interest rate applied was equivalent to the rate of a short term loan made by Grand in 2013 (**confidential attachment ADJ 1**).

8.7 Adjustments – Conclusion

We are satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with sections 269TAC(8) and 269TAC(9), and we consider these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Domestic inland fright	**Deduct** a cost of domestic inland freight
Export inland freight, handling and	**Add** a cost of export inland freight,

port charges	handling and port charges.
Export sales expense difference	**Add** the difference between the domestic and export SG&A expenses of RMB [redacted] per unit.
Non-refundable VAT	**Add** the non-refundable VAT amount of 8%.
Export credit terms	**Add** a cost for export credit terms

9 NORMAL VALUE

We found sufficient volumes of certain models of domestic sales of deep drawn stainless steel sinks by Grand that were arm's length transactions and at prices that were in OCOT. Therefore, we are satisfied that prices paid in respect of domestic sales of deep drawn stainless steel sinks are suitable for assessing normal values under s. 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, we consider that certain adjustments, in accordance with s. 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 8 above.

In relation to export models where there were insufficient volumes of OCOT domestic sales, as discussed in section 3.2.1 above, we consider it would be unsuitable to use domestic sales data to determine the normal value of those export models under section 269TAC(1) of the Act. Instead, we consider that normal values should be based on constructed costs and an amount for profit.

Normal values have been constructed using the uplifted cost to make deep drawn stainless steel sinks exported to Australia plus SG&A on the assumption that the goods, instead of being exported, were sold domestically[3]. A rate of profit, as discussed in section 6.10 above, has been added using data related to the production and arm's length sales of like goods in the ordinary course of trade[4].

In using costs to make and sell as the basis for normal values, we consider that certain adjustments, in accordance with s. 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 8 above

The normal value calculations are at **confidential appendix 4**.

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[3] s. 269TAC(2)(c)

[4] Regulation 181A(2) of the *Customs Regulations 1926*

10 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin, we compared each export transaction with the corresponding quarterly normal value for the corresponding model of deep drawn stainless steel sinks. The weighted average product dumping margin for deep drawn stainless steel sinks is 33.5%.

The dumping margin calculation is at **confidential appendix 5**.

11 SUBSIDIES

11.1 Grants

In its EQR, Grand declared that it received subsidies under Program 6 – *International Market Fund for Small and Medium-sized Export Companies*.

Grand advised that the subsidies were in a form of a grant as assistance from [redacted]. According to its audited annual report, in 2013, it received assistance in relation to [redacted]. We noted that in the EQR, it only provided information and source documents in relation to [redacted]. Grand advised that this was an oversight and the grants received in relation to the [redacted] should have been included.

Grand stated that it was made aware of the financial assistance from [redacted]. It explained that the application process to apply for these grants is [redacted].

Grand provided us with the proof of payment received for these subsidies at **confidential attachment SUB 1**.

11.2 Preferential income tax

In its EQR, Grand declared that it did not receive any preferential tax treatment and paid the general rate of 25%. We requested, and Grand provided, a copy of its 2012 and 2013 tax returns (**confidential attachment SUB 2**) and we were able to verify that it paid the full amount of tax of 25%.

11.3 Provision of cold-rolled stainless steel

In its EQR, Grand provided a spreadsheet listing all its purchases of stainless steel during in 2013.

We first sought to verify the completeness and relevance of the spreadsheet. Grand provided its 2013 raw material inventory ledger (**confidential attachment SUB 3**) and we were able to match the total quantity and value of stainless steel purchased in 2013 from the ledger to the spreadsheet.

We then selected 10 transactions from the listing of stainless steel purchases and Grand provided the corresponding invoices (**confidential attachment SUB 4**). We were able to match all the invoices to the spreadsheet except for one transaction where the quantity figure had a missing decimal point in the spreadsheet. Grand agreed that this was an inadvertent data entry error. We then selected two invoices and requested that Grand provide proof of payment for those invoices (confidential attachment SUB 4), which we were able to reconcile.

We noted that Grand purchased both stainless steel coil and sheets from [redacted] different suppliers. Grand stated that it generally purchased coil from [redacted] and [redacted], while it purchased stainless steel sheets from [redacted] other companies. We asked why Grand purchased stainless steel sheets given it has the ability to slit coil into sheets on its premises. Grand explained that it purchases stainless steel sheets for special applications where it is unable to undertake the slitting itself, such as pre-laser cut sheets for handmade sinks or sheets with pre-printed patterns. During our analysis of the spreadsheet, we noticed one purchase of stainless steel coil that had an unusually low price. Grand advised that it was downgrade steel used to make steel straps and not for the production of sinks.

We consider that for the purpose of comparing Grand's purchases of stainless steel raw material to any benchmark, only stainless steel coil used as the raw material for deep drawn stainless steel sinks is relevant and purchases of stainless steel sheets and downgrade steel should be excluded.

In the spreadsheet, Grand declared that only [redacted] was a state invested enterprise and the other [redacted] suppliers were private companies. We selected [redacted], the other supplier of stainless steel coil, and asked Grand to explain how it concluded that the company was not a state invested enterprise. Grand provided us with a copy of the [redacted] business licence that showed the share ownership of the company equating to RMB[redacted] (**confidential attachment SUB 5**). Grand asserted that such as small company cannot be a state invested company.

The listing of Grand stainless steel purchases is at **confidential attachment SUB 6**.

11.4 Subsidy margin

We have calculated the subsidy margin based on the assumption that all programs are all countervailable. In calculating a subsidy margin, we attributed the grants to Grand's export sales of all products, to Australia and third countries. In relation to the provision of cold-rolled stainless steel at less than fair value, we attributed it to the sales of deep drawn stainless steel sinks.

The weighted average subsidy margin for deep drawn stainless steel sinks is 11.5%

The subsidy margin calculation is at **confidential appendix 6**.

12 APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export price
Confidential appendix 2	Cost to make and sell data
Confidential appendix 3	Domestic sales
Confidential appendix 4	Normal value
Confidential appendix 5	Dumping margin
Confidential appendix 6	Subsidy margin
Confidential attachment EXP 1	All sales in 2013 spreadsheet
Confidential attachment EXP 2	Export sales source documents
Confidential attachment CTMS 1	Updated CTMS spreadsheet
Confidential attachment CTMS 2	CTM working spreadsheet of all sinks
Confidential attachment CTMS 3	2013 main operating cost ledger
Confidential attachment CTMS 4	Reconciliation of costs
Confidential attachment CTMS 5	Bill of materials for sink model YH236C
Confidential attachment CTMS 6	Invoice relating to the bill of materials
Confidential attachment CTMS 7	Steel inventory ledger
Confidential attachment CTMS 8	Steel purchase invoice and proof of payment
Confidential attachment CTMS 9	Steel utilisation factor calculation
Confidential attachment CTMS 10	Cost calculation for model NH2357SF in May 13
Confidential attachment CTMS 11	Cost calculation for model DB506C in Aug 13
Confidential attachment CTMS 12	Related supplier analysis
Confidential attachment CTMS 13	Cost breakdown of model YH236C
Confidential attachment CTMS 14	Accessories inventory ledgers & invoices
Confidential attachment CTMS 15	Monthly costing reports
Confidential attachment CTMS 16	Labour & manufacturing cost allocation
Confidential attachment CTMS 17	Labour compensation documents
Confidential attachment CTMS 18	Labour compensation allocation
Confidential attachment CTMS 19	Depreciation journal entry for Dec 13
Confidential attachment CTMS 20	Depreciation schedule for Dec 13
Confidential attachment CTMS 21	Dec 13 production report for model YH236C
Confidential attachment CTMS 22	Bill of finished product inventory
Confidential attachment CTMS 23	SG&A calculation
Confidential attachment DOM 1	Domestic sales source documents

Confidential attachment THD 1	Third country sales analysis
Confidential attachment ADJ 1	Short term loan contract
Confidential attachment SUB 1	Grants proof of payment
Confidential attachment SUB 2	2012 and 2013 tax returns
Confidential attachment SUB 3	2013 raw material inventory ledger
Confidential attachment SUB 4	stainless steel purchase invoices
Confidential attachment SUB 5	Business licenses
Confidential attachment SUB 6	Stainless steel purchases spreadsheet