



Australian Government
Australian Customs and
Border Protection Service

**INVESTIGATION INTO THE ALLEGED DUMPING AND
SUBSIDISATIONS OF CERTAIN HOLLOW STRUCTURAL
SECTIONS**

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA, MALAYSIA, THE
REPUBLIC OF KOREA, TAIWAN AND THAILAND**

EXPORTER VISIT REPORT

Yieh Phui Enterprise Co., Ltd. & Shin Yang Steel Co., Ltd.

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL
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January 2012

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2 BACKGROUND

2.1 Introduction

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd (ATM, the applicant) an Australian manufacturer of HSS, lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of HSS exported to Australia from The People's Republic of China (China), The Republic of Korea (Korea), Malaysia, Taiwan and Thailand and a countervailing duty notice in respect of HSS exported to Australia from China.

The application alleges that HSS has been exported to Australia from China, Korea, Malaysia, Taiwan and Thailand at prices lower than its normal value, that HSS exported to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing HSS.

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 19 September 2011.

Australian Customs Dumping Notice (ACDN) No. 2011/43 provides further details of this investigation and is available at www.customs.gov.au.

The investigation period is 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred. Customs and Border Protection will examine details of the Australian market from 1 July 2007 for injury analysis.

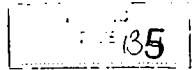
At the commencement of the investigation, Customs and Border Protection identified from its commercial database, Yieh Phui Enterprise Co., Ltd (Yieh Phui) and Shin Yang Steel Co., Ltd (Shin Yang) as potential exporters of HSS from Taiwan. Customs and Border Protection wrote to Yieh Phui and Shin Yang and invited them to participate in the investigation. Yieh Phui and Shin Yang responded to this letter by completing and returning a combined exporter questionnaire response to Customs and Border Protection.

2.2 Purpose of visit

The purpose of the visit was to verify information contained in the exporter questionnaire response submitted by Yieh Phui and Shin Yang.

The company's exporter questionnaire response consisted of background to its activities, details of exports to Australia, details of exports to other countries, details of domestic sales, information on adjustments to domestic selling prices and information on the cost to make and sell the goods. The exporter questionnaire response was supported by attachments. A non-confidential version of the exporter questionnaire response was placed on the public record.

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Verified information has been used to make preliminary assessments of:

- who is the exporter and who is the importer;
- export prices and normal values for HSS manufactured by Yieh Phui and Shin Yang; and
- dumping margins.

Yieh Phui has previously been involved in an anti-dumping investigation involving HSS. At commencement of the meeting we outlined the background to the investigation including the following key dates for the investigation:

- an extension has been granted by the Minister for statement of essential facts (SEF), which is now due to be placed on the public record on 23 April 2012, setting out the facts on which Customs and Border Protection proposes to base the recommendations to the Minister;
- interested parties are invited to make submissions to Customs and Border Protection in response to the SEF within 20 days of that statement being placed on the public record;
- submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister;
- a recommendation to the Minister will be made in a report on or before 7 June 2012; and
- a preliminary affirmation determination (PAD) was made on the 23 December 2011 by the delegate of the Customs and Border Protection Chief Executive Officer, requiring and taking securities for goods entered for home consumption on or after the 10 January 2012.

We explained our responsibilities in relation to confidentiality. We stated that we would:

- prepare a report of the visit;
- provide Yieh Phui and Shin Yang with the draft report to review its completeness and accuracy of facts and calculations; and
- following consultation about confidentiality, prepare a report of the visit for the public record.

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2.3 Interview – dates and persons present

The interview took place at:

Yieh Phui (head office)
369 Yu Liao Road,
Chiao Tou Hsiang, Kaohsiung
TAIWAN

Telephone: + 888 7 6117181
Fax: + 888 7 6117042

The following persons were present at various stages of the interview:

Dates	17 – 20 January 2012
Yieh Phui & Shin Yang	Frank M.T. Tsai, Assistant Vice President Pipe Production Division Gary Wen- Chung Tien, General Manager Finance Division Joe An- Hsiang Lee, Deputy General Manager Pipe Marketing & Sales Division
Consultants	Jay Y. Nee, Partner (Appleton Luff) Eric Wang (Renew Focus International Consulting) Isaac Lin, International Trade Law Consultant (Appleton Luff) Huibin Zhang, International Trade Law Consultant (Appleton Luff)
Customs & Border Protection	Lydia Cooke, Manager, Operations 1 Rebecca Higgins, Supervisor, Operations 3

2.4 Cooperation and preliminary issues

Yieh Phui and Shin Yang cooperated with the verification of details contained in the exporter questionnaire response and provided further information when requested. We advised Yieh Phui and Shin Yang that all information it provided would be treated as confidential unless Yieh Phui and Shin Yang advised otherwise.

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3 COMPANY INFORMATION

At the commencement of our meeting Yieh Phui and Shin Yang, provided us with an overview of each company and the E United Group of companies. Extracts of the presentation were reproduced in the following company brochures:

- *Yieh Phui, Carbon Steel E.R.W Pipe & Tubes (non-confidential attachment GEN 1)*; and
- *Shin Yang, Carbon Steel E.R.W Pipes & Tubes (non-confidential attachment GEN 2)*.

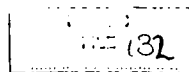
Yieh Phui, a publicly listed company on the Taiwan Stock Exchange, was established in 1986. Yieh Phui's exporter questionnaire response stated that the company has more than seventeen thousands shareholders, the response provided details of its ten largest shareholders. Yieh Phui is part of the E United Group, established in 2003. The E United Group is not a legal entity but a group of companies associated with Yieh Phui's Chairman, Mr. I. S. Lin (E United Group brochure is at **non-confidential attachment GEN 3**). A listing of companies included in the E United Group is contained in this brochure.

Yieh Phui's exporter questionnaire response described Yieh Phui as a steel manufacturer engaging in the production and sales of galvanised and coated steel sheets, steel structures, cranes and steel pipes and tube. These products are sold both in the domestic and export market. Yieh Phui stated that approximately 80 percent of its production of all products in investigation period was exported.

Yieh Phui operates 9 pipe mill facilities in two plant locations in Southern Taiwan. These mills producing HSS have an estimated capacity of around 240,000 tonnes per annum. The mills produce HSS from hot rolled coil (HRC), cold rolled coil (CRC) and pre-galvanised steel coils. Yieh Phui's pipe brochure on page 5 (confidential attachment GEN 1), sets out the production process of HSS, including slitting the coil, forming the pipe, welding, finishing and packing. Yieh Phui also produces hot dipped galvanised steel pipe (HDG).

In February 2011, Shin Yang was established as a wholly owned subsidiary of Yieh Phui. Shin Yang was established with the purpose of taking over Yieh Phui steel pipe business. At the meeting company representatives explained that the purpose of this transfer was to allow the pipe business to access coils from a variety of sources. According to the exporter questionnaire response all of Yieh Phui's pipe production facilities were conveyed to Shin Yang effective 30 April 2011. Personnel working in Yieh Phui's pipe business division were transferred to Shin Yang effective 1 May 2011. The exporter questionnaire response included Shin Yang's business registration and a copy of the agreement between Yieh Phui and Shin Yang with regard to the pipe production asset transfer (**confidential attachment GEN 4 and GEN 5**).

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Since the pipe production facilities transfer to Shin Yang on 30 April 2011, Yieh Phui has not engaged in the production of pipes (including HSS). However, Yieh Phui still sold HSS including the goods under consideration, it produced prior to the transfer on 30 April 2011, throughout the investigation period. Yieh Phui also provided galvanised steel coil for Shin Yang's production of pre-galvanised steel pipes.

The company representatives stated that unless otherwise indicated the production processes, method of accounting, sales etc are identical for the two companies.

3.1 Accounting

Yieh Phui and Shin Yang's financial year is the calendar year, 1 January to 31 December.

The company included copies of the following documents in its exporter questionnaire response and at the verification meeting:

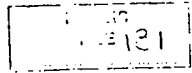
- Yieh Phui's and Shin Yang's Chart of Accounts (**confidential attachment GEN 6 and GEN 7**);
- Yieh Phui's Consolidated Financial Statements for 2009 and 2010 (**Confidential attachment GEN 8**);
- Yieh Phui's Financial Statement for 2009 and 2010 (**confidential attachment GEN 9**);
- Yieh Phui's Interim Financial Statement 2009 and 2010 (**confidential attachment GEN 10**); and
- Yieh Phui's Interim financial statement for 2011 (provided at the meeting) (**confidential attachment GEN 11**);

The company noted in its submission that as Shin Yang is a newly incorporated entity (incorporated in 2011), it does not yet have any audited financial statements. Yieh Phui and Shin Yang stated in their exporter questionnaire response that its financial accounting principles are in accordance with generally accepted accounting principles of Taiwan. The company representatives at the meeting advised that Yieh Phui and Shin Yang uses an in-house accounting system based on the Oracle accounting software.

3.2 Related parties

Yieh Phui provided a listing of affiliated parties within the exporter questionnaire response (**Confidential attachment GEN 12**). In addition Yieh Phui and Shin Yang provided a listing of affiliates that provide services to Yieh Phui and Shin Yang in relation to HSS including the nature of the services provided and identified related HSS customers of Yieh Phui and Shin Yang (**confidential attachment GEN 13**).

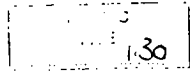
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We examined the transactions between Yieh Phui, Shin Yang and related parties and compared selling prices to the related parties with those to other parties. Further details are discussed in section 7.4 of this report.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

4 GOODS UNDER CONSIDERATION AND LIKE GOODS

4.1 Goods under consideration

The goods the subject of the application (the goods) are:

certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.

Sizes of the goods are, for circular products, those exceeding 21mm up to and including 165.1mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.

The application includes the following information to clarify the nature of the goods.

Finishing

All HSS regardless of finish is included in the application.

Non-galvanised HSS is typically of painted, black, lacquered or oiled finished coatings.

CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the application.

Standards

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS).

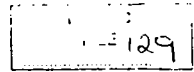
HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals (MPa).

HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.

Excluded goods

The following categories are excluded from the goods subject of the application:

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- conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1 mm on outer surface and 0.25 mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6 mm in order to maintain vibration free rotation and minimum wind noise during operation);
- precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- air heater tubes to AS.2556.

4.1.1 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 23); and
- 7306.69.00 (statistical codes 26, 27 and 28).

The goods exported to Australia:

- from Korea and Taiwan are subject to a 5% rate of duty;
- from China and Malaysia are subject to a 4% rate of duty; and
- from Thailand using Thailand Free Trade Agreement rates are free from duty as of 1 January 2010.

There are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.

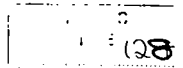
4.2 Like goods

4.2.1 Background

Yieh Phui and Shin Yang's brochures indicates that the companies produce carbon steel pipe and tube for fire services, natural gas, refrigeration, air-conditioning, scaffolding, pressure services, rigid steel conduit, automatic warehouse, jack, general and machinery structural purposes as well as for furniture and greenhouse farming services.

Yieh Phui and Shin Yang explained that it produces HSS to a variety of specification standards including the British (BS), Australian (AS), ASTM, Chinese National Standard (CNS) and Japanese International Standard (JIS). It also produces pipe and tube to a range of sizes. A table of specifications and sizes produced is provided in Shin Yang's product brochure on pages 19-20 (non-confidential attachment GEN 2).

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Yieh Phui and Shin Yang explained that the differences in the Australian standard compared to other standards, largely related to tolerances in thickness and size of the HSS produced. Yieh Phui and Shin Yang also noted that the chemical composition of the raw material coil, to meet the Australian standard differed from other standards, however this did not result in additional costs, and this type of coil could be used in manufacture of HSS to other standards. Yieh Phui and Shin Yang, asserted that differences in specification did not vary significantly.

Yieh Phui and Shin Yang advised that any differentiation in the selling price of HSS is driven by finish (estimated at approximately [REDACTED] USD extra for pre-galvanised and [REDACTED] USD for hot dipped galvanised) and by weight of the pipe (and hence the amount of raw material used). From our analysis of sales contracts and invoices for exports to Australia, we note in some cases there also appears to be some differentiation in price by diameter and or size, however these additional costs vary and does not appear to drive prices (further discussion of this is in Section 5 of this report).

Yieh Phui and Shin Yang outlined additional services it provided to its customers of HSS, these include threading the pipe ends, oil coating black pipe and packaging to meet customer requirements. Yieh Phui and Shin Yang asserted that the cost associated with threading the pipe ends was minimal and as such it did not pass this cost on to its customers. Similarly, Yieh Phui and Shin Yang advised that the cost of oiling black pipes is a small cost component in production and considers this to be part of the service, with no additional charge to its customers. Yieh Phui and Shin Yang provided evidence in the form of general ledger statement demonstrating that oiling costs represented [REDACTED] percent of the overall production cost (**confidential attachment GEN 14**). Shin Yang's product brochure outlines four packaging types (page 35, non-confidential attachment GEN 2), Yieh Phui and Shin Yang asserted that packaging type does not affect price.

In its exporter questionnaire response, Yieh Phui and Shin Yang provided a detailed product listing of all products (including non-HSS products) produced by each company during the investigation period (**confidential attachment GEN 15**).

Yieh Phui and Shin Yang use a 3 letter internal product coding system to identify product characteristics including; product type, materials used in production, product finish (including black, pre-galvanised and hot dipped galvanised), the shape of the product and additional working to the product (e.g. threaded ends). The products codes used are identical for both Yieh Phui and Shin Yang, and apply to export and domestic sales.

- The first letter 'P' identifies product from the pipe division;
- The second letter identifies the type of pipe;
 - 'C' – pre-galvanised pipe using cold roll coil;
 - 'F' – pre-galvanised pipe with 5% aluminium zinc coating;
 - 'G' – pre-galvanised pipe using hot rolled coil;
 - 'Z' – hot dipped galvanised pipe;
 - 'H' – hot rolled steel pipe (i.e. black); and

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- 'SC' – secondary pipe.
- The third letter indicates the pipe shape and or additional working to the pipe;
 - 'P' – circular;
 - 'R' – rectangular;
 - 'S' – square; and
 - 'T' – threaded (i.e. screwed ends).

The companies explained that in the past, cold rolled coil was thinner than HRC. They stated that during the investigation period, they were able to get HRC thin enough to be used in place of cold rolled coil. Therefore, they explained that the cold rolled label was reference to the thickness of the coil, rather than a different type of coil.

We noted that in addition to the 15 pipe models listed in confidential attachment GEN 15, we found two additional models at the visit, PAP and PAT. The company explained that a small amount of PAP product was produced but not sold during the investigation period. It referred to oil pipeline and the quantity produced during the investigation period was for inspection and certification purposes. The costs of the production of this pipe are included in the cost to make and sell calculations. A small portion of PAT pipe was also sold during the investigation period. The company explained that this was API petroleum pipe that, which it no longer produced but still had some in its inventory and was sold off after the flood.

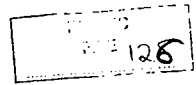
Yieh Phui and Shin Yang's sales listing also identifies the product grades during the investigation period that Yieh Phui and Shin Yang sold domestically and for export. These grades are as follows:

- '1' – first grade product;
- '0' –product which has surface defects (Yieh Phui and Shin Yang, asserted that these products still meet the required specification, [REDACTED] and are therefore comparable to first grade product);
- '4' – flood damaged pipe; and
- product with no grade identifies secondary pipe.

Yieh Phui did not export any secondary HSS (downgrade pipe) to Australia in the investigation period. Secondary pipe represented [REDACTED] percent of domestic sales for Yieh Phui. Shin Yang did not make any sales of secondary pipe.

Yieh Phui advised that pipe with a grade '4' listing was pipe in its inventory that was damaged during a flood in September 2010. The damaged inventory included export product for Australia, the damaged HSS was assessed by the Australian customer, and Yieh Phui and the customer negotiated a reduced price for the goods. Flood damaged pipe was also sold in the domestic market at reduced prices.

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Yieh Phui and Shin Yang advised that it sells product with the same product codes both domestically and for export.

4.2.2 Like goods – preliminary assessment

We recommended that, with the exception of secondary (downgrade) pipes, Customs and Border Protection be satisfied that the goods produced by Yieh Phui and Shin Yang for domestic sale have characteristics closely resembling those of the goods under consideration and are therefore “like goods” in terms of subsection 269T(1).

5 EXPORT SALES TO AUSTRALIA

5.1 General

During the investigation period, Yieh Phui and Shin Yang exported HSS to two customers in Australia, [REDACTED] and [REDACTED]. HSS sold to Yieh Phui and Shin Yang's Australian customers was through agents; [REDACTED] and [REDACTED]. Yieh Phui and Shin Yang included copies of the agency agreements as part of its exporter questionnaire response (**confidential attachment EXP 1**). In aggregate Yieh Phui and Shin Yang exported [REDACTED] tonne of HSS to Australia, in black, pre-galvanised and hot dipped galvanised finishes.

Product Type	Quantity (Kg's)	Percentage of total export sales
BLACK	[REDACTED]	[REDACTED]
Flood Damaged	[REDACTED]	[REDACTED]
HOT DIPPED GALVANISED	[REDACTED]	[REDACTED]
Flood Damaged	[REDACTED]	[REDACTED]
PRE- GALVANISED	[REDACTED]	[REDACTED]
Flood Damaged	[REDACTED]	[REDACTED]
Cold Rolled Rectangular	[REDACTED]	[REDACTED]
Cold Rolled Square	[REDACTED]	[REDACTED]
Circular	[REDACTED]	[REDACTED]
Rectangular	[REDACTED]	[REDACTED]
Square	[REDACTED]	[REDACTED]
Grand Total	[REDACTED]	[REDACTED]

Yieh Phui and Shin Yang described the export transaction process as operating in the following way:

- Agents of their Australian customers make inquiries of Yieh Phui and Shin Yang regarding offers for that month via telephone, fax or email;
- Yieh Phui and Shin Yang then negotiate and make an offer;
- once these offers and terms of sale are agreed, the agents will issue a purchase order or purchase contract based on the negotiated and agreed terms of sale;
- Yieh Phui and Shin Yang will then issue the customer an order confirmation and sales contract;
- changes to the terms of sales, can be made up to the issuance of the commercial invoice;
- the HSS is then produced to order, or arranged from inventory; and
- the commercial invoice is issued at or about the time when the goods leave the factory gate to the destination assigned by the importer or their agents.

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Yieh Phui and Shin Yang stated that selling prices to Australia are not based on price lists, but are negotiated for each sale, based on the monthly offers. These negotiated offers take into consideration the 'reference price'. This price is determined at the end of the month, and is communicated to the sales team. The reference price, takes into consideration the market situation, stock levels and production capacity. Yieh Phui and Shin Yang, submitted that as HSS is 80 percent hot rolled coil, the price of hot rolled coil is therefore the key determinate is setting its price of HSS. Yieh Phui and Shin Yang consistently monitor hot rolled coil prices, and provided an extract of a website 'Steelnet' where it sources some of its information on pricing (**confidential attachment EXP 2**).

As discussed below in the verification to source documents section, we found that the price per tonne generally was consistent by finish across all makes and models. The only things that may incur any additional charges were products with a wall thickness of 1.5mm or below and 1.2mm or below.

The delivery terms of sale were [REDACTED] and [REDACTED] Australian port. The goods are shipped in either break bulk or as containerised cargo. Arrangements for shipment are made by the importers agent. All transactions were invoiced in [REDACTED]

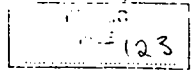
During the investigation period the payment terms were either [REDACTED] or [REDACTED] before shipment, therefore no export credit adjustment is claimed.

The commercial invoice is issued when the goods leave the factory gate. The invoice states the product description, quantity (tonnes), unit price and gross value. In its exporter questionnaire response Yieh Phui and Shin Yang stated that no discounts, rebate or all allowance are offered on export sales to Australia.

In its exporter questionnaire response, Yieh Phui and Shin Yang provided an export sales spreadsheet, including details of all sales of the goods to Australia during the investigation period. This information was obtained from Yieh Phui's and Shin Yang's financial system and included reference to:

- customer (by customer code);
- level of trade;
- finish;
- grade;
- product code;
- invoice number and date;
- sales order number;
- shipping and payment terms;
- date of sale;
- quantity (kg);
- transaction amount (in USD);
- exchange rate and transaction amount in NTD (New Taiwan Dollar);
- packing;

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- inland transport;
- handling & other charges; and
- commission.

Yieh Phui and Shin Yang also provided documents supporting two sample shipments for each company in its exporter questionnaire response and we verified the information for these shipments to the export sales spreadsheet. The documents provided included:

- customer purchase orders;
- order confirmation;
- invoice and packing list;
- shipping notice;
- bill of lading;
- invoices for inland transport, handling and other charges
- invoice for commission; and
- evidence of payment from its Australian customers.

5.2 Verification of export and domestic sales to the audited financial statements

We requested Yieh Phui and Shin Yang provide documents to conduct an upwards reconciliation of their sales listing of HSS as submitted in the export and domestic sales spreadsheets, firstly to their management accounts and then to their audited financial statements. Yieh Phui and Shin Yang provided:

- An upwards reconciliation worksheet for each company (**confidential attachment EXP 3**);
- summary of the general ledger for each month of the investigation period for Yieh Phui (**confidential attachment EXP 4**) and for Shin Yang for the months of May and June 2011 (**confidential attachment EXP 5**);
- the general ledger statements for each month of the investigation period for Yieh Phui (**confidential attachment EXP 6**) and for Shin Yang for May and June 2011 (**confidential attachment EXP 7**);
- Yieh Phui's interim financial statements for the six months ended June 30 for 2010 and 2011 (confidential attachment GEN 10 and GEN 11);
- 2010 audited financial statement for Yieh Phui (confidential attachment GEN 9); and
- Source code utilised by the IT department to filter HSS meeting the goods description (**confidential attachment EXP 8**).

Yieh Phui provided a reconciliation worksheet demonstrating how it calculated the total sales revenue (both gross and net) for the investigation period (noting that its financial year is the calendar year January to December) (confidential attachment EXP 2). The worksheet showed the total sales revenue for 2010 and this reconciled to Yieh Phui's 2010 financial statement (confidential attachment GEN 9). The worksheet calculated the total sales revenue for the period January to June 2010

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from Yieh Phui's general ledger. We were able to reconcile the amount shown for this period to Yieh Phui's interim financial statement for the six months ending June 2010 (confidential attachment GEN 10). The total sales revenue for the period July to December 2010 was then calculated by deducting the January to June sales revenue from the total sales revenue for 2010. From Yieh Phui's general ledger the total sales revenue was then calculated for the period January to June 2011, again we were able to reconcile this with Yieh Phui's interim financial statement for the six months ending June 2011 (confidential attachment GEN 11).

The total sales revenue for the investigation period was then broken down into incomes streams by accounting department. Yieh Phui provided a summary for each month of the investigation period detailing sales by all departments (confidential attachment EXP 4). For sales to the accounting departments; domestic and export sales the summary detailed sales of coils, pipe, steel strip, by-product and raw materials. Sales of steel pipe were then isolated and broken into two categories; subject merchandised (i.e. the goods) and non-subject merchandise. For each month of the investigation period Yieh Phui provided a general ledger statement which we were able to reconcile to the totals for each accounting department for that month (confidential attachment EXP 6). We matched the total by month of the subject merchandise for both export and domestic sales separately (by value and volume) to the export and domestic sales spreadsheets as provided in the exporter questionnaire response.

In order to demonstrate that the division of subject and non-subject merchandise was accurate, Yieh Phui provided a copy of the source code used by its IT department to interrogate their management accounts to filter HSS meeting the specifications of the goods, this source code is at confidential attachment GEN 8. We also requested Yieh Phui perform an exercise using its management accounts to demonstrate the accuracy of this division. We tested the months of July and December 2010 and matched the totals provided in the reconciliation spreadsheet (confidential attachment EXP 2), we also sampled non-subject merchandise to verify that these goods were outside the size specifications of the goods.

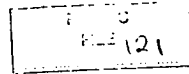
We followed this same upwards verification procedure for Shin Yang. Because Shin Yang does not have any audited accounts yet, we were only able to verify the data contained in the export and domestic sales spreadsheets (for the two months of the investigation period in which Shin Yang operated) to Shin Yang's general ledger.

We therefore consider the export and domestic sales data submitted by Yieh Phui and Shin Yang of HSS, is complete and relevant.

5.3 Verification of export sales to source documents

Prior to the meeting we requested that Yieh Phui provide supporting documents for 8 selected shipments, we also requested Shin Yang provide supporting documents for 4 selected shipments. Yieh Phui and Shin Yang provided these documents at the meeting. The documents are at **confidential attachments EXP 9**.

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Yieh Phui and Shin Yang provided at the meeting evidence of payment of all 12 shipments, this evidence included a printout from the accounts ledger, bank certificate and bank statement. Evidence of payment forms part of confidential attachment EXP 9.

Yieh Phui and Shin Yang provided invoices and evidence of payment for inland transportation. Inland transportation costs were calculated by identifying from the shipping notice and internal management records which goods were transported by which truck. The cost of that transportation for that truck was then divided over the quantity transported on that truck (to get an average unit cost for that transportation). This was then multiplied by the quantity of the goods under consideration on the truck. The invoices, management accounts and evidence of payment for inland transportation costs form part of confidential attachment EXP 9.

Yieh Phui and Shin Yang, submitted a packing cost worksheet, evidencing the formula applied to calculate packing costs as stated in the export sales spreadsheet, this worksheet forms **confidential attachment EXP 10**. We noted that packing costs for Shin Yang are cheaper than for Yieh Phui. Company representatives explained that this is because Shin Yang was just starting up in the last two months of the investigation period, and therefore goods may have been produced but not yet packed and this would account for the lower unit cost.

Under the handling and other charges in the export sales spreadsheet, Yieh Phui and Shin Yang, included the following charges;

- declaration charge;
- cargo inspection charge;
- harbour maintenance fee;
- trade promotion fee;
- bank fees and charges (including; negotiation fee, postage charge and foreign bank charge);
- equipment use fee;
- in-land stevedoring fee;
- on-board stevedoring fee;
- dock passage fee; and
- containerisation fee.

All charges included in the export sales spreadsheet reflect actual costs incurred. Yieh Phui and Shin Yang provided invoices, management account records and evidence of payment in support of every charge incurred by each of the selected invoices, these documents form part of confidential attachment EXP 9. Not all invoices incurred costs for each of the charges above. Where the cost or charge was incurred for a number of shipments or included goods not under consideration, Yieh Phui and Shin Yang provided worksheet demonstrating how the cost was allocated by weight to the selected goods under consideration.

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Yieh Phui and Shin Yang advised that it may incur warranty expenses as a result of a customer claim; however no such warranty expenses with respect to Australian sales were incurred in the investigation period.

The exchange rate recorded in the export sales spreadsheet and used to convert USD to NTD is the official Taiwan Customs exchange rate. Yieh Phui and Shin Yang provided a copy of the official exchange rates used over the investigation period, this document forms **confidential attachment EXP 11**. The company representatives explained that this is a standard practice in Taiwan, any difference between the official exchange rates and the rate used to make the conversion when payment is made, is designated as an exchange gain or loss in the accounts. Over the investigation period exchange rates (USD to NTD) were stable varying by only one or two cents over the period. As such Yieh Phui and Shin Yang have not claimed an exchange rate adjustment.

Yieh Phui and Shin Yang provided copies of the agent's agreements, which stipulate the maximum rate of commission per tonne in USD, these agreements are included in confidential attachment EXP 9. We noted that the majority of transactions incurred a commission charge of around \$█ USD per tonne. Some transactions did not incur a commission charge, Yieh Phui explained that these transactions were for flood damaged HSS, and because selling prices were so low, commission was not awarded.

We found that 9 out of the 12 export shipments had the same price per metric tonne for all items of the same finish on the invoice. For the remaining three invoices we found some minor differences for pipes with smaller wall thicknesses. We found several sales contracts which noted that pipe with a wall thickness of 1.5mm or incurred an extra charge of US\$█/Mt (although in some instances no extra charge was applied for this size) and wall thickness of 1.2mm or below incurred an extra charge of US\$█/Mt.

We are satisfied that the export sales spreadsheet, accurately reflects Yieh Phui and Shin Yang's exports to Australia of HSS, the price paid for those goods and costs incurred in exporting the HSS during the investigation period.

5.4 Date for comparison of export and domestic sales

Yieh Phui and Shin Yang advised that the date of sale as included in the export sales spreadsheet refers to the date the goods are boarded on the ship, because this is the date the company recognises the risk to pass to the customer. Yieh Phui and Shin Yang asserted that this is usually within 3 to 5 days of the invoice date, and not more than a week past.

Customs and Border Protection usually regards the invoice date as the date of sale (that is, the date that best represents when the material terms of the sale have been established) unless there is clear evidence to indicate that another date is appropriate.

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We considers that the invoice date in this case reflects the date by which the material terms of the sale has been established, notwithstanding that the risk has not yet passed to the customer and should be used as the date of sale. In doing this we note that the onboard date is reasonably close to the invoice date in most but not all cases.

5.5 Forward orders

Shin Yang stated that it has no forward orders of HSS from its Australian customers. Yieh Phui no longer takes orders for, or produces HSS.

5.6 The exporter

We consider Yieh Phui and Shin Yang to be the exporter of HSS exported to Australia from Taiwan. Yieh Phui and Shin Yang:

- are the manufacturers of the goods and manufactured the goods to the specific order of the Australian customer;
- owned the goods at the time of export;
- is listed as the supplier on the bill of lading;
- invoices the Australian purchaser for the goods;
- arranges and pays the inland freight;
- 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 bulk goods for export to Australia and was aware of the identity of the purchaser of the goods.

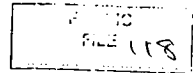
5.7 The importer

We consider that [REDACTED] and [REDACTED] was the beneficial owner of the goods at the time of importation. The beneficial owner is considered to be the one who was entitled to all the benefits associated with ownership even though they may not be the legal owner of the goods. We noted that [REDACTED] and [REDACTED]:

- negotiated with Yieh Phui and Shin Yang through their agents and Yieh Phui and Shin Yang considered [REDACTED] and [REDACTED] are the customers;
- are named as the consignee on the bills of lading; and
- arranges and pays ocean freight, marine insurance, Customs clearance, logistics, and storage of the goods after they're delivered to the Australian port.

We consider [REDACTED] and [REDACTED] are the importers.

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5.8 Arms length

In respect of Yieh Phui and Shin Yang's sales to Australia 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; or
- 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.

We consider the sales of HSS by Yieh Phui and Shin Yang to [REDACTED] and [REDACTED] were arms length transactions.

5.9 Export price – preliminary assessment

We are satisfied that:

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

We consider that the export price for these sales can be determined under s. 269TAB(1)(a) using the invoiced price less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

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

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6 COSTS TO MAKE & SELL

6.1 General

In the response to the exporter questionnaire Yieh Phui and Shin Yang each provided us with a cost to make and sell (CTMS) spreadsheet for the categories of pipe that were used in the previous inquiry in 2006. These were black, pre galvanised and post hot dipped galvanised pipe that were round, square and rectangular. The CTMS for Yieh Phui covered the period from July 2010 to April 2011, while Shin Yang's CTMS was for May and June 2011. These CTMS spreadsheets are at **confidential attachment CTMS1**.

Yieh Phui and Shin Yang explained that they first calculated costs individually for each product by three digit product code. They then consolidated these costs into the product codes used in the last investigation. The companies provided us with a cost of manufacture (COM) worksheet which shows the costs broken down by three digit product code for each month of the investigation period (**confidential attachment CTMS2**). This reconciled with the costs provided in the exporter questionnaire response.

In the COM worksheet, costs had been identified for hot rolled coils, galvanised coils, zinc, direct labour, fixed overheads and variable overheads. Where applicable, the direct labour, fixed overheads and variable overheads were broken down to the costs for slitting, pipe making, galvanising and threading.

As we could reconcile the COM worksheet directly with the costs provided in the questionnaire response, and this document showed more detail, we used this worksheet as the basis of our verification.

The companies also provided us with a production chart which gave an outline of the production process and listed the direct and indirect cost centres associated with each production stage. Yieh Phui and Shin Yang informed us that there had been a slight change in the cost centre numbering since September 2010 and provided us with the before and after structure. These charts are at **confidential attachment CTMS3**.

An assessment of cost to make and sell data showed that coil costs made up approximately 90% of the cost for black and pre galvanised coil, and 80% of costs for post dipped galvanised.

We noticed that in some months there was no production of certain models but the company still listed a cost to make. The companies explained that in these cases it used the cost to make of a similar product, for example, the cost to make black rectangular pipe for black square pipe. If no similar product was produced in the same month, it used the cost to make of the same product from a previous month. In our final cost to make and sell calculations we calculated quarterly costs, and we did not substitute any costs.

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6.2 Verification of production costs to source documents

We selected December 2010 for Yieh Phui for verification to source documents to ensure the accuracy of the data.

6.2.1 Production volume

The company explained that it calculated net production volume, being the total amount of pipe it produced, by using the gross production weight of pipe produced minus the weight of pipe that was reworked. The reworked pipe amount was deducted as this pipe was removed from the production line and re-entered into it again, thereby double counting it in the gross production report. The company informed us that the pipe that required reworking was removed at the packing stage and the costs associated with rework were captured in the packing cost centre.

The company provided us with the gross production report and the reworked pipe report for December 2010. The company explained that production and rework volumes were recorded daily by the production staff and these reports were then generated from this data at the end of each month. We were able to reconcile the volumes in these reports to the COM worksheet. The company also provided us with the production reports for each of the other months in the investigation period. We were able to reconcile these volumes to the COM worksheet and we were satisfied that the volumes reported were accurate.

Documents relating to production volumes are at **confidential attachment CTMS4**.

Scrap

The company also explained that in the production report secondary pipe was not specifically identified but rather included in the production output according to pipe model. Therefore, the costs we have provided with have been allocated across all production, including secondary pipe.

6.2.2 Raw material costs

Hot rolled coil

Yieh Phui explained that coil was the main cost in the production of pipe. It also stated that the thickness of the coil was a factor that could effect the cost, but this was minor and not traceable through its accounts.

Yieh Phui informed us it calculated the monthly coil cost for each pipe model by multiplying the net production weight by a unit coil cost. It determined the unit coil cost on a quarterly basis by dividing the total cost by the total weight of hot rolled coil consumed quarterly in pipe production.

We firstly sought to reconcile the volumes and values used to calculate the unit cost. The company provided us with the raw materials consumption and sales summary report (a small amount of raw materials were on sold) for October, November and

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December. These reports listed the different types of raw materials used by volume and value and the direct cost centre in which they were consumed. The company compiled a summary of the hot rolled coil consumed during the December quarter under the pipe making cost centres and calculated the unit cost of hot rolled coil.

We were able to reconcile the total value of the raw materials consumption report for December 2010 (██████████NTD) to the amount listed in the management accounts for raw materials in that month. The company provided us with the accompanying ledger for the raw materials entry which showed how these raw material costs were allocated to the cost of goods sold and work in progress items.

We were also provided with the December 2010 inventory reports for value and quantity and imported and domestically produced goods. These reports showed the purchases, consumption and sale of raw materials. The total monthly consumption value for the imported and domestically purchased goods reconciled with the December entry in the management accounts.

We then requested that the company provide us with two invoices for hot rolled coil purchases and proof of payment, one each for purchases from an affiliated company and for purchases from a non-affiliated company.

Yieh Phui provided us with these documents and we were able to reconcile them to the inventory report. We noted that the company made periodic payments to the affiliated supplier. Therefore, we could not exactly match the payment made for a specific invoice. However, the payment for that period was sufficient to cover the expenses incurred.

We asked the company how the price of purchases from affiliated companies was set. The company explained that these prices were based on market prices, although purchases from affiliated companies were in fact generally marginally higher than market prices. We found the purchase price from affiliated supplier (NTD ██████/kg) and non affiliated supplier (NTD ██████/kg) to be very similar.

We then assessed how the cost of hot rolled coil per kilogram had been applied to the cost to make and sell worksheet. In order to calculate the coil cost in the spreadsheet, the company multiplied the net production volume by the unit coil cost. In the coil spreadsheet, the total coil cost for the December quarter was ██████████NTD. In the cost to make and sell spreadsheet, the sum of the coil allocated to products in the December quarter was ██████████NTD, a difference of approximately █%. Further investigation showed that this discrepancy was a result of the denominator. In the coil cost spreadsheet, the quantity of coil consumed was found to be ██████████kg and this quantity was used to determine the per kilogram cost of coil. However, the final quantity of pipe produced was ██████████kg.

Yieh Phui explained that this difference was a result in the work in progress (WIP). In situations where the input quantity exceeds the output quantity, some of the input remains as WIP and production for these goods is not yet completed. Where the output is greater than the input, some of the outputs are produced from raw materials introduced into production prior to that quarter.

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We considered that this was reasonable and we were satisfied with the verified numbers for coil input quantity and pipe production output. However, we noted that the methodology used did not account for any yield losses in the production of the pipe. We requested that the companies provide us with their yield loss ratios and also invited them to submit information regarding scrap cost off-sets for pipe.

We were provided with worksheets for Yieh Phui and Shin Yang which contained the companies' yield loss calculations. The companies explained that it calculated the yield loss using the following calculation:

Raw material input + beginning WIP inventory - inventory transfer of slit steel to coated steel division - sales of WIP - ending WIP inventory.

The company considered the difference between the above calculation and the production quantity for the month to be the yield loss.

The company also provided us with a monthly listing of its steel scrap sales. This listed the value and quantity of steel scrap sold, the net weight of pipe produced and the per kilogram steel scrap offset.

The company explained that it used the yield loss ratio and the unit steel scrap offset to recalculate the CTMS worksheet and provided us with an updated version.

We made the following observations about the documents provided in regards to Yieh Phui:

- The average yield losses are [REDACTED]% and this is quite low in terms of HSS production;
- Scrap was sold for approximately [REDACTED]NTD/kg while the cost of HRC was approximately [REDACTED]NTD/kg; but despite this
- The scrap offset is higher than the cost of the yield loss and the revised costs are lower than the costs that do not take into account production losses;
- The volume of scrap sold is over four times the volume that would be generated using the yield ratios provided by Yieh Phui.

Therefore, we did not consider that the calculations regarding yield loss correctly captured the losses that occurred during production.

To determine the yield losses we compared the scrap sold in each quarter to the coil consumed. We found that the volume of scrap was [REDACTED]% of the input quantity of coil (scrap sales in months in which Yieh Phui did not produce pipe were not used in this calculation). We considered that this was a more accurate method of determining yield losses.

Accordingly, we adjusted costs by the weighted average yield loss for both companies across the investigation period. We also included the cost offset for steel

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scrap in the CTMS. The overall effect this had on the cost of manufacture was an increase of █%. These calculations are at **confidential appendix 2**.

The remaining documents relating to the cost of hot rolled coil are at **confidential attachment CTMS5**.

Galvanising costs

Yieh Phui provided us with a worksheet which sets out the method used to calculate galvanising costs on a per kilogram basis. The company explained that the cost of galvanised coil consisted of:

- the cost of hot rolled coil;
- direct labour and overhead costs for pickling the coil prior to galvanising;
- direct labour and overhead costs for galvanising; and
- zinc costs.

The cost for hot rolled coil per kilogram was calculated in the same way as the hot rolled coil directly used for pipe making as described above. The company informed us that it orders coil specifically for pipe or further coil processing and therefore could identify which was used for which.

The company then identified the direct labour costs and overhead costs associated with the pickling line and galvanising line 2 (on which galvanised coil for pipe was produced) and determined unit costs based on consumption/output of coil through each process.

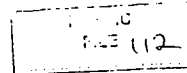
Yieh Phui provided us with the direct labour and overhead costs ledger for October, November and December 2010 (**confidential attachment CTMS6**). Within these ledgers we could identify which costs had been applied to which direct cost centres and therefore could identify the applicable costs for pickling and galvanising line 2.

Yieh Phui also provided us with the monthly production reports for October, November and December 2010 which showed the coil production through the pickling and galvanising lines. The company used these costs and production volumes to determine the per unit direct labour and overhead costs of galvanised coil. These costs were added to the unit zinc cost (as discussed below) and the hot rolled coil cost.

We were able to reconcile these production values and costs to the company's calculations for galvanising costs.

Documents relating to the galvanising costs are at **confidential attachment CTMS7**.

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Zinc

Zinc costs are a separate line item in the cost to make and sell for post hot dipped galvanised pipe and are included in the galvanising costs for pre galvanised pipe costs.

Yieh Phui explained that it identified the post hot dipped galvanised zinc costs from the monthly raw material consumption and sales report (confidential attachment CTMS5), using zinc costs that were allocated to the cost centre PB022. This zinc cost was then allocated to the post galvanised products produced that month on the basis of weight. We were able to reconcile the zinc cost for December in the cost to make worksheet to the December consumption report.

We requested the company provide us with two zinc invoices for December, one for purchased from an affiliated company and one for purchases from a non-affiliated company. The company provided these invoices and we were able to reconcile these to the monthly inventory listing (confidential attachment CTMS9). The zinc price from the affiliated supplier was USD [REDACTED]/Mt and USD [REDACTED]/Mt from the non-affiliated supplier.

The company also included a cost offset for zinc scrap. The company provided us with the invoices for zinc scrap sales during December 2010. The total of these sales were allocated by weight to post hot dipped galvanised pipe production. The zinc scrap invoices are at **confidential attachment CTMS9**.

6.2.3 Direct labour, fixed manufacturing overheads and variable manufacturing overheads

Yieh Phui provided us with direct labour, fixed overheads and variable overhead accounts for October, November and December 2010 for pipe and coil production. These accounts included all the costs and their allocation to the direct cost centres.

The company then provided us with the consolidated management account for these months which reconciled with the individual accounts. The documents relating to the October, November and December labour and overhead costs in the management accounts and associated ledgers are at **confidential attachment CTMS6**.

The company explained that the costs shown in the ledgers and management accounts for the pipe costs relate to the entire pipe plant. To show how it had identified the costs specific to the goods under consideration, the company provided us with an allocation worksheet. This allocation spreadsheet showed the cost breakdown by production line, including the cutting line, four slitting lines, four pipe making lines, galvanising line and threading line. The company explained that in allocating costs to the goods under consideration it had excluded the costs for the cutting line, as this process did not relate to pipe making.

The packing costs, part of the variable costs, were also excluded, as this was reported as a line in the sales spreadsheet. We considered that packing costs should be included in the cost to make and sell spreadsheet and added this costs

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back in. To do this we calculated the weighted average packing cost for pipe over the twelve month period. We found that there were higher packing costs due to the flood in the latter half of 2010 as reworking costs are captured in the packing expenses. Therefore we consider that a weighted average cost is most appropriate as it distributes this cost over the entire period.

Fixed costs were also allocated differently. The company explained that in Taiwanese general account practice (GAP), the fixed overhead costs allocated to idle capacity are excluded from the cost of goods manufactured and allocated to the cost of goods sold. Therefore, the company used the capacity of each production line and the actual running time of the production lines to calculate the value of fixed costs applicable to the goods manufactured. As this was standard accounting procedure in Taiwan, we accepted this practice in the CTMS. We noted that the excluded overhead cost accounted for less than █% of the total CTMS.

The company then used this worksheet to allocate costs for direct labour and overheads for slitting, pipe making, hot dip galvanising and threading on the basis of volume. We were able to reconcile the costs in the management accounts for December to the allocation worksheet and in turn to the CTMS worksheet.

We requested and were provided with the allocation worksheet for each month during the investigation period which is at **confidential attachment CTMS10**.

6.2.4 Shin Yang's costs

We selected the month of June 2010 for downwards verification to source documents. Shin Yang informed us that it generally used the same methodology as was used for Yieh Phui. A difference, however, was that after the pipe machinery was transferred to Shin Yang, Yieh Phui continued to provide the galvanising service for pre galvanised coil.

We found that Yieh Phui charged Shin Yang █NTD/kg for the galvanising service in June 2011. In December 2010, we found that it cost Yieh Phui █NTD/kg to galvanise coil. We verified the conversion costs and were provided with proof of payment between Shin Yang and Yieh Phui. The company explained that it made prepayments for the services in lump sums and therefore we were unable to reconcile the invoice to a specific payment. We found that the prepayments were sufficient to cover the invoices incurred.

We verified the remaining cost information for Shin Yang in the same way as we described above for Yieh Phui. The documents relating to Shin Yang's verification are at **confidential attachment CTMS11**.

We were able to reconcile the cost information provided by Yieh Phui and Shin Yang to source documents and are therefore satisfied that the information provided is accurate.

6.3 Flood damaged pipe

As noted previous, a small amount of pipe was damaged by a flood in September 2010. In considering how to assess the cost of flood damaged goods, we noted that Yieh Phui received an insurance payout for these goods. The company explained that were goods were sold below cost, it received payments from the insurance company to cover the difference between the costs and price. This compensation excluded an excess of NTD [REDACTED], applicable to damage across the entire plant. The company provided us with a spreadsheet which listed the remuneration and an accounts voucher which showed the compensation being entered into the accounts (**confidential attachment CTMS12**). The company explained that the insurance amount was captured in the cost of goods sold expenses in the financial statements, and was not reflected in the cost to make and sell spreadsheet.

The company argued that the insurance payments should be used to offset the manufacturing costs for the flood damaged product. This is an unusual circumstance and in this instance we are of the view that the insurance payment should be included in the cost to make these goods. The total insurance payment received by Yieh Phui was NTD [REDACTED] for [REDACTED] kgs of pipe. Accordingly, for flood damaged pipe we have deducted [REDACTED]/kg from the costs.

As the flood occurred in September 2010, during which the damage to the pipes occurred, we consider that the costs applicable to the flood damaged pipe is the cost to make and sell pipe in quarter 4 of 2010. Therefore, the insurance offset has been applied to costs of this quarter, and we consider this revised cost for quarter 4 2010 to reasonably capture the cost of flood damaged pipe sold throughout the investigation period.

6.4 Selling, general, administrative and finance expenses

In the response to the exporter questionnaire, we were provided with the selling expense account, the general & administrative account and the finance costs for each of the companies (**confidential attachment CTMS13**).

Yieh Phui and Shin Yang explained that it allocated the selling, general and administrative expenses and finance expenses to the goods under consideration by:

- calculating what percentage of the company's revenue these costs accounted for; and
- applying that percentage to the revenue from the goods under consideration.

For selling expenses, direct and indirect selling expenses specifically for pipe production were identified. The total of the indirect selling expenses was applied across all goods on the basis of revenue.

The direct selling expense applicable to domestic sales (domestic inland freight) and the Australian export sales (export inland freight, handling and commission) were

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applied to the domestic or export CTMS as applicable. We noted that the domestic delivery expenses had been included in the SG&A calculation, but as demonstrated in section 7, only █% of domestic sales were delivered. Therefore, we excluded this expense and assessed selling prices at an EXW level.

The general and administrative expenses related to each company as a whole. The entire amount was applied to all goods produced by the company on the basis of revenue, as was financial expenses.

We considered that this allocation was reasonable. However, we noted that while these costs were calculated as a percentage of revenue, they were applied as a percentage of the cost to make. We recalculated the costs as a percentage of revenue.

In addition, we considered it was appropriate to calculate a weighted average selling, general and administrative (SG&A) and finance cost across both companies. This is because, Yieh Phui provided administrative support to Shin Yang after the company was formed, free of charge. As a result, these administrative costs were recorded in Yieh Phui's accounts but excluded from Shin Yang's.

We therefore identified the total SG&A and finance costs applicable to the total revenue from the goods under consideration. We divided this amount by the quantity of the goods under consideration sold to determine a weighted average SG&A value per kilogram for the investigation period.

We made these adjustments and were satisfied that SG&A and financial expenses have been appropriately allocated in the CTMS.

6.5 Verification of production costs to audited financial statements

As noted above, we reconciled the raw material, labour and overhead costs in the cost to make and sell spreadsheet to the management accounts. We then sought to reconcile these costs to the audited financial statements to ensure the completeness and relevance of the information.

As previously mentioned, Yieh Phui's accounts were audited every six month and we were provided with the income statement for the audited account for the 2010 financial year (confidential attachment GEN9), the first half of 2010 (confidential attachment GEN10) and the first half of 2011 (confidential attachment GEN11). In order to reconcile the investigation period to the financial statements we used the following (unless noted otherwise):

Amount listed in the financial statement for 2010 – amount listed in the financial statement for the first half of 2010 + amount listed in the financial for the first half of 2011.

As no audited financial statements had been prepared to date for Shin Yang we only sought to reconcile the costs for Yieh Phui.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

In order to reconcile the cost data to the audited financial statements, Yieh Phui provided us with:

- a revised income statement (**confidential attachment CTMS 14**);
- summary and management account vouchers for raw materials for each of the 12 months in the investigation period;
- summary and management account vouchers for direct labour and overheads for each of the 12 months in the investigation period;
- trial balance for the start and end of the 2010 financial year;
- summary of costs in 'other adjustment' line item;
- Selling expense account for coil, pipe, engineering and entire company;
- administration expense account for entire company; and
- finance expenses reconciliation (**confidential attachment CTMS 15**).

The company explained that in the audited financial statement it reported the cost of goods sold. In the CTMS and income statement in the exporter questionnaire response the cost of goods manufactured was reported. We therefore sought to firstly reconcile the manufacturing costs to the income statement and then to the audited financial statement.

At the visit the company provided us with a revised income statement (confidential attachment CTMS13). The company explained that it had made some (minor) calculation errors with the original income statement. The company explained that to prepare the income statement it firstly compiled the income statement for the entire company. It then calculated the income statement for the pipe division separately (this column was not included in the original income statement provided). In order to allocate costs to the GUC specifically, the pipe division's costs were divided according to the respective revenue of the GUC and other non-GUC pipe products.

It explained that in the income statement, the raw materials, labour, depreciation, overheads and operating expenses contributed to the cost of sales in the audited financial statements.

As noted above, we have been able to reconcile the raw material costs, direct labour and overhead costs to the management accounts for December 2010. Yieh Phui provided us with the management account vouchers for raw materials for each month of the investigation period and we were able to reconcile the total amount for the twelve month period to the income statement for the entire company. The company also provided us with the monthly management account vouchers for direct labour and overheads for the investigation period for pipe and coil production. The company provided us with a worksheet which summarised how these costs had been allocated to the income statement taking into account the allocation of fixed overheads to idle capacity.

The company also added some additional lines to the income statement to reconcile the income statement (cost of goods manufactured) to the financial statements (cost of goods sold). These additional items were:

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- beginning inventory;
- ending inventory;
- engineering cost of goods sold; and
- 'other adjustments'.

To support the amounts listed for the beginning and ending inventory, the company provided us with the trial balances for the first and last month of the 2010 financial year. These showed the inventory at the start and the end of the period and reconciled with the income statement for the 2010 financial year.

The company explained that the engineering cost of goods sold were reported separately in the management accounts and did not relate to pipe production.

The company stated that the 'other adjustments' related to approximately 20 different accounts and included items such as maintenance, internal inventory movements and fixed costs allocated to idle capacity. For the investigation period, the other adjustment amount allocated to all products was a negative number and was less than █% of the cost of goods sold. The value allocated to the goods under consideration was also a negative number and █% of the cost of goods sold. The company provided us with a summary of the items that made up this adjustment listing the individual items.

The total amount of the cost to make with the adjustments reconciled with the cost of goods sold in the financial statements.

We then sought to reconcile the selling, general and administrative expenses to the financial statement. We were able to reconcile the total selling expense for the pipe division of █NTD in the SG&A worksheet to the selling expense in the income statement for the pipe division. The company provided us with the selling account for the pipe, coil and engineering divisions and we were able to reconcile the total of these (█NTD) to the marketing expense in the audited financial statements.

We were also able to reconcile the administration and general expenses of █NTD in the SG&A worksheet to the general and administrative expenses in the audited financial statements.

We then sought to reconcile the financial expenses in the SG&A calculations to the audited financial statements. The company explained that it had consolidated the list of non-operating income and gains and non-operating expenses and losses in the financial statement into the three line items listed in the SG&A worksheet. The company provided us with a worksheet which outlined how the costs had been incorporated. We were able to reconcile the SG&A worksheet to the financial statement and were satisfied that all the financial expenses had been captured.

The documents relating to the verification to financial statements are at confidential attachment CTMS15.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

We were therefore satisfied that the costs reflected in the cost to make and sell worksheet were reasonably complete and relevant.

6.6 Costs to make and sell – conclusion

We verified Yieh Phui's and Shin Yang's cost to make and sell pipe to source documents and Yieh Phui's costs to audited financial statements. As a result, we are satisfied that the information provided is accurate, relevant and complete.

However, we have made the following changes to the cost date as listed below:

- the costs for hot rolled coil have been adjusted for yield loss and steel scrap off-set;
- an offset for an insurance payment is regards to flood damaged pipe has been included in the costs for these goods;
- costs for flood damaged goods have been based on the cost of production in quarter 4 2010;
- SG&A and financing expenses have been determined as a weighted average over the investigation period for both companies together;
- SG&A and financing expenses have been recalculated on the basis of revenue rather than cost;
- domestic delivery expenses have been excluded from the domestic SG&A expenses;
- packaging costs have been included in the CTMS as a weighted average over the investigation period for both companies together; and
- cost to make and sell has been calculated on a quarterly basis taking into account the cost information of both companies.

The final calculation of unit costs to make and sell for HSS from Yieh Phui and Shin Yang are contained in **confidential appendix 3**.

We consider these costs to make and sell are suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

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7 DOMESTIC SALES

7.1 General

Yieh Phui and Shin Yang advised that they compete in Taiwan's domestic market for HSS along with other HSS manufactures. Yieh Phui and Shin Yang stated there is no or minimal competition in the domestic market from imports of HSS. Yieh Phui and Shin Yang asserted that the HSS market in Taiwan has been stable, with no dramatic increases in demand or capacity prior to and following the investigation period.

Yieh Phui and Shin Yang stated that it sold black, hot dipped galvanised and pre-galvanised HSS within the size specifications of the goods under consideration during the investigation period in the domestic market, the following table summarised quantities sold.

Yieh Phui explained that it also sold flood damaged HSS to the domestic market at reduced prices. Yieh Phui and Shin Yang sold the majority of its HSS domestically to the Chinese National Standard (CNS), ASTM International Standard and the Japanese International Standard (JIS).

Yieh Phui explained that while it produced export HSS to order, it maintained an inventory for domestic sales, based on its anticipated sales for the month. Yieh Phui explained that in the transition to Shin Yang, it reduced its production a couple of months prior to the transfer and attempted to sell its entire inventory. Yieh Phui advised that the products it produced, it sold and provided warranty for. No HSS produced by Yieh Phui was transferred to Shin Yang. Yieh Phui asserted that in selling out its inventory it did not reduced its prices.

Product Type	Quantity (KG's)
BLACK	
Cold Rolled Circular	
Cold Rolled Rectangular	
Cold Rolled Square	
Cold Rolled Threaded	
Flood damaged	
HOT DIPPED GALVANISED	
Cold Rolled Circular	
Cold Rolled Threaded	
Flood damaged	
PRE- GALVANISED	
Cold Rolled Circular	
Cold Rolled Square	
5 percent aluminium zinc coated	
Circular	
Rectangular	
Square	
Threaded	
Flood damaged	

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Grand Total



7.2 Levels of trade

In its response to the exporter questionnaire, Yieh Phui and Shin Yang identified two groups of customers; end users and wholesalers.

It explained that sales to end users were generally for construction projects, for example, hotels. While its wholesale customers usually have storage facilities and on sell the goods to other customers.

In its exporter questionnaire response, Yieh Phui and Shin Yang stated that domestic selling prices do not vary by distribution channel, rather prices are based on its internal price reference, the quantity purchased, stock levels and production capacity on a transaction by transaction basis.

We undertook an analysis by customers type, and found that only █ percent of sales volume sold was to customers that were end users, we noted that the average selling prices for end users was slightly higher than for wholesalers, however we also note that the majority of end users were related customers (discussed below) and prices to related customers are higher on average.

7.3 Sales to related parties

In its exporter questionnaire response Yieh Phui and Shin Yang identified related customers; these customers are the following affiliated companies;

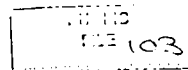
- Yieh Hsing Enterprise Co. Ltd (for internal maintenance use);
- Yieh United Enterprise Co. Ltd (for internal maintenance use);
- Eliter International Corporation (for use in real estate development);
- E-DA Skylark Hotel Co. Ltd (for use in hotel construction); and
- Yieh Phui (for sales from Shin Yang, for internal maintenance use).

We noted that, in relation to total HSS domestic sales volume, sales to these affiliated companies represented approximately █% [percentage] of sales volume.

Yieh Phui and Shin Yang, advised that selling prices to affiliated customers is subject to negotiation and that sales are not frequent. No discounts are afforded to affiliates. Yieh Phui and Shin Yang asserted that prices are generally based on the market price plus an additional margin.

Our analysis indicates that the weighted average selling price of HSS to affiliated parties was █% higher than to unrelated customers. We consider that the sales to affiliated parties are not influenced by the relationship between the parties as the higher price results from the small volume purchases.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

7.4 Domestic sales process, pricing and terms

7.4.1 General

Yieh Phui and Shin Yang explained its sales process as follows:

- Customer makes enquiries about price and quantity;
- Yieh Phui and Shin Yang issue a quotation;
- Yieh Phui and Shin Yang then negotiate prices and sales terms on a transaction by transaction basis and issue an internal order confirmation;
- prior to shipment Yieh Phui and Shin Yang request the customer issue a local letter of credit or make telegraphic transfer before shipment;
- Yieh Phui and Shin Yang, either fill the customers order from its inventory or produce the HSS to meet the customers order; and
- Yieh Phui and Shin Yang will deliver the HSS to the location designated by the customer or prepare the HSS for customer pick up.

7.4.2 Delivery terms

The domestic sales spreadsheet provided by Yieh Phui and Shin Yang in the response to the exporter questionnaire indicated that only █ percent of the domestic sales volume was delivered. The remaining █ percent were identified as 'ex-factory', Yieh Phui and Shin Yang indicated that in this circumstance the customer picked the goods up from the factory or arranged delivery.

Yieh Phui and Shin Yang advised that upon a customer's request for delivery, it sought and received a quotation from a freight company. It then advises the customer of the quoted freight amount. Once approved by the customer the freight costs are incorporated into the overall invoiced price. Yieh Phui and Shin Yang stated that amounts included in the domestic sales spreadsheet for inland transportation reflect actual domestic freight costs incurred.

7.4.3 Payment terms

The domestic sales spreadsheet provided by Yieh Phui and Shin Yang in the response to the exporter questionnaire identified all sales as █ [payment terms]. The domestic sales spreadsheet does not differentiate which transactions are T/T (telegraphic transfer) and which are L/C (letter of credit). At the meeting Yieh Phui and Shin Yang advised that only a few transactions were paid telegraphic transfer, most were paid by open letter of credit made prior to delivery or collection of the goods.

Yieh Phui and Shin Yang explained that for customers that pay by letter of credit, it accumulates that amount of purchases by that customer from the 20th of the previous month to the 19th of the current month. Payment by letter of credit is then negotiated for the total of the amount purchased in the first few days of the next month. For Shin Yang, it accumulates purchases from the 1st to 30th of the previous month and

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negotiates the letter of credit for the total amount purchased again on the first few days of the next month.

For related parties, the payment term given by Yieh Phui and Shin Yang is 15 days from the end of the previous month for purchases delivered in the previous month. We note that this payment term is not reflected in the domestic sales spreadsheet.

7.4.4 Rebates

In the exporter questionnaire response, Yieh Phui and Shin Yang provided details of its rebate scheme as follows;

1. Black pipe rebate (a rebate granted for steel pipes without zinc coating);
2. Rebate for steel pipes using pre-galvanised steel sheets;
3. Rebate for hot-dipped galvanised steel pipes;
4. Rebate for steel pipes using pre-galvanised steel sheets with 5 percent aluminium in the zinc coating; and
5. Total monthly shipment rebate (rebate granted based on the total monthly shipment of all types of steel pipes).

The above rebates are available to all customers (except related parties). Customer purchases are evaluated on a monthly basis and rebates are calculated by considering the total quantity shipped in the previous month, product types, the prevailing market conditions and potential future orders. There is no uniform standard applied for all customers. Yieh Phui and Shin Yang advised that rebate 5, the total monthly shipment rebate is not necessarily determined by quantity, and maybe based on sales value.

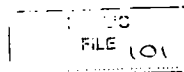
A rebate memo is issued once a month, stating the total rebates for the previous month. The rebate amount is then offset against amounts payable at the beginning of the next month. Because Yieh Phui's payment period does not align with the previous month, this could mean that rebates calculated on the basis of sales in the first half of the month (i.e. between 1st and 19th of that month) are offset against amounts which did not include these sales.

For Shin Yang, the rebate period is one month behind the payment month. As a result, each month's payment is offset by the rebates from the previous month. The rebates applicable to the payment month will be offset the following month.

The domestic sales spreadsheet reflects the rebates accrued against each invoice (as opposed to each payment) issued in the investigation period.

In assessing the price paid or payable for customers that received rebates, we consider it reasonable to rely upon the net selling price after rebates were applied.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

7.5 Verification of domestic sales to the audited financial statements

We verified Yieh Phui and Shin Yang's domestic sales data as submitted in the export questionnaire response together with their export sales data refer to section 5.2 for the discussion of this verification.

We are satisfied that the domestic sales data submitted by Yieh Phui and Shin Yang, is reasonably complete and relevant.

7.6 Verification of domestic sales to source documents

Prior to the visit we sent Yieh Phui a list of 8 selected domestic sales that we had chosen for closer examination, and we asked for copies of source documents to support the transaction and any costs related to the transaction. In relation to each of the selected transactions, Yieh Phui provided copies of the selected invoice (usually with other products), order confirmation, and where applicable inland freight invoice.

We also sent Shin Yang a list of 4 selected domestic sales that we had chosen for closer examination, and we asked for copies of source documents to support the transaction and any costs related to the transaction. In relation to each of the selected transactions, Shin Yang provided copies of the selected invoice (usually with other products), order confirmation, and where applicable inland freight invoice.

Yieh Phui and Shin Yang provided evidence of payment of all 12 sales, including a printout from the accounts ledger, bank certificate and bank statement. To support the rebate amounts, the company provided the rebate memo where applicable, which listed all the rebate amounts for the month. It also provided the rebate certificates which listed the rebate amount applicable to each item in each invoice over the course of the month. As previously mentioned, the rebate period and the payment period were not in alignment for most transactions. In the accounts receivable ledger we could see the rebate offset from the previous month being applied to that month's payment. The payment amount would then reflect the offset amount. The rebates listed in the spreadsheet are exclusive of value added tax (VAT).

We found that all the data contained in the domestic sales spreadsheet agreed with the source documents provided. We paid particular attention to quantities, prices, dates, delivery and payment terms, and inland freight amounts. Copies of the source documents for the 12 selected domestic sales are at **confidential attachment DOM 1**.

In our examination of the domestic sales listing we identified one transaction that listed very low costs for HSS. Yieh Phui provided us with the invoice for this transaction and we found that a billing mistake had been made. The kilogram price had been applied to the number of pieces in the transaction, rather than the number of kilograms. The invoice for this sale is at **confidential attachment DOM 2**.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

We also noted that there were several warranty claims listed in the domestic sales spreadsheet. The companies explained that it paid warranty claims when customers provided proof of defective goods. The company provided us with an example of a warranty claim. These documents included a warranty claim report, photos of the damaged goods and a credit note for the warranty amount awarded by the company. These documents are at **confidential attachment DOM 3**.

We were satisfied that the domestic sales spreadsheet accurately reflects Yieh Phui and Shin Yang's domestic sales and reflects the actual costs associated with these sales. We are therefore satisfied that this listing is accurate.

7.7 Arms length

In respect of Yieh Phui's and Shin Yang's domestic sales of HSS 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.

We did find evidence in the context of a rebate system that the buyer, will, subsequent to the purchase or sale, be reimbursed, in respect of part of the price. However, having regard to the rebate agreements, the established trading practices in relation to rebates, and the fact that these rebates have been accurately quantified, we consider such reimbursements do not affect the arms length nature of the transactions.

We therefore consider Yieh Phui and Shin Yang's domestic sales of HSS to be arms length transactions.

7.8 Ordinary course of trade

We compared the price paid for each domestic transaction with the CTMS for each of the 15 models, classified by the three digit code, for both normal sales and flood damaged product. For normal sales the quarterly CTMS was used, while for flood damaged sales, the costs for quarter 4 2010 was used. In doing this assessment, we amalgamated the sales data for the two companies.

Where the sales were unprofitable we then compared the prices of those sales to the weighted average cost to make and sell for the investigation period as a measure of whether the loss was recoverable. For flood damaged goods, we consider the costs for quarter 4 of 2010 to be the weighted average cost of the goods over the investigation period.

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For sales of PCP, PCS and PFP and flood damaged sales of PAT, PCP, PHR, PHS, PHT and PFP more than 80% of sales were recoverable and therefore, we consider that all the sales for these models were in the ordinary course of trade.

For all other models, some sales were found to be recoverable but the volume of non-recoverable sales were found to be greater than 20%. We consider that the sales at a loss, where the losses were not recoverable, represent a substantial quantity and therefore those sales are considered not to be in the ordinary course of trade.

7.9 Suitability of sales – profitable sales

Section 269TAC(2) of the Act provides that certain domestic sales made by unsuitable for use in determining normal value because of factors 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 s. 269TAC(14) of the Act as less than 5% of the total volume of the goods under consideration that are exported to Australia.

We found that the volume of domestic sales made in the ordinary course of trade was 66% of the volume of exports to Australia.

We then identified the following models were exported to Australia and conducted the test individually for each model:

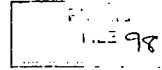
- PCR
- PCS
- PGP
- PGR
- PGS
- PCP (flood damaged)
- PCR (flood damaged)
- PCS (flood damaged)
- PHP (flood damaged)
- PZP (flood damaged)

We found sufficient domestic sales in the ordinary course of trade for PCS, PGP, PGR, PGS and flood damaged PCP, PHP and PZP. While there were insufficient sales in the ordinary course of trade for PCR, we consider that we can also use sales for PCS as a basis for the normal value for this model, as the only difference between these pipe are that one model is square while the other is rectangular.

7.10 Domestic sales conclusion

We found a sufficient volume of PCR, PCS, PGP, PGR, PGS and flood damaged PCP, PHP and PZP in the domestic market that were arms length transactions and

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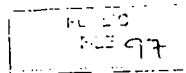
sold at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily

Based on the information provided by Yieh Phui and Shin Yang and the verification processes conducted on site, we consider that prices paid in respect of these companies' domestic sales of PCR, PCS, PGP, PGR, PGS and flood damaged PCP, PHP and PZP, net of rebates and warranty claims, are suitable for assessing normal value under s. 269TAC(1) of the Act.

However, in relation to flood damaged PCR and PCS we found no domestic sales of this type in 2010-11 and are therefore we cannot assess normal value under s. 269TAC(1) of the Act.

Detailed and summary data for domestic prices of the pipe models are contained in **confidential appendix 4**.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

8 THIRD COUNTRY SALES

In its exporter questionnaire response, Yieh Phui and Shin Yang provided a summary their HSS export sales to third countries.

We asked the company whether it made any third country sales of flood damaged pipe and the company informed us that it had not. The company showed us the complete export sales listing and filtered the data using the grade column and showed all sales of grade 4 (flood damaged) pipes. We saw that all export sales of grade 4 pipe were made to Australia.

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

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

9 ADJUSTMENTS

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

9.1 Inland freight

9.1.1 Domestic freight

We consider a downward adjustment for the domestic inland freight expenses in the normal value calculation is required to ensure fair comparison to export price. In the domestic sales spreadsheet, the cost of freight was identified where applicable for each transaction. We verified these freight expenses and found them to be accurate.

Where sales were delivered, we deducted the amount for inland freight from the net invoice value, to determine an ex-works (EXW) price. As the majority of sales were EXW, this calculation was done prior to the ordinary course of trade test being conducted.

9.1.2 Export freight

We consider an upward adjustment for the export inland freight expenses in the normal value calculation is required to ensure fair comparison to the export price. The company listed the inland freight cost for transport from the factory to the port in the export sales listing for each sale and this freight cost was verified and found to be accurate.

We calculated a quarterly weighted average export inland freight rate per kilogram for all pipe. We added this amount to the normal value.

9.1.3 Handling and other charges

We consider an upward adjustment for the export handling and other charges in the normal value calculation is required to ensure fair comparison to the export price. The company listed the handling and other charges for export sales in the export sales listing for each sale. These costs were verified and found to be accurate.

We calculated a quarterly weighted average handling and other charges cost per kilogram for all pipe. We added this amount to the normal value.

9.1.4 Commission

We consider an upward adjustment for the export commission cost in the normal value calculation is required to ensure fair comparison to the export price. The company listed the commission charge for export sales in the export sales listing for each sale. This cost was verified and found to be accurate.

We calculated a quarterly weighted average commission cost per kilogram for all pipe. We added this amount to the normal value.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

9.1.5 Credit terms

We consider a downward adjustment for the domestic credit terms in the normal value calculation is required to ensure fair comparison to the export price.

Yieh Phui and Shin Yang informed us that while export sales were paid for prior to shipment, payment for domestic sales was not collected until after the sale had occurred.

For Yieh Phui, customers generally pay by letter of credit, and it accumulates that amount of purchases by that customer from the 20th of the previous month to the 19th of the current month. Payment by letter of credit is then negotiated for the total of the amount purchased on the first few days of the following month. For Shin Yang, it accumulates purchases from the 1st to 30th of the previous month and negotiates the letter of credit for the total amount purchased again on the first few days of the following month.

For related parties, the payment term given by Yieh Phui and Shin Yang is 15 days from the end of the previous month for purchases delivered in the previous month.

The company explained that it would be a long and difficult process to extract the payment dates from its system for the domestic transactions. The company explained that it had calculated the credit adjustment listed in the domestic sales spreadsheet by using a payment term of 35 days across all sales. However, the company suggested that as customers generally had between 5-35 days credit on their purchases, depending on at what stage in the payment cycle goods were purchased, a credit term of 20 days be used.

The company provided us with a spreadsheet of the actual interest rates it had incurred during the investigation period with the exporter questionnaire response.

	Yieh Phui	Shin Yang
Jul-10	1.69%	-
Aug-10	1.81%	-
Sep-10	1.70%	-
Oct-10	1.76%	-
Nov-10	1.80%	-
Dec-10	1.93%	-
Jan-11	1.88%	-
Feb-11	1.88%	-
Mar-11	1.63%	-
Apr-11	1.82%	3.50%
May-11	1.82%	2.01%
Jun-11	1.77%	2.39%

We examined information listed by the bank of Taiwan and found that the interest rates put forward by the company were reasonable.

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Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd

We noted that the interest rates during the investigation period were very low and a subsequent adjustment based on 20 days credit terms was very minor (0.2% of the normal value).

Therefore, we accepted the 20 day credit terms as put forward by Yieh Phui and Shin Yang. We used these credit terms and the quarterly interest rate to adjust down the normal value.

9.1.6 Profit

Based on the information provided by Yieh Phui and Shin Yang, and the verification conducted on site, we are satisfied that the cost to make and sell information provided is suitable for determining a constructed normal value under s.269TAC(2)(c) of the Act.

In terms of profit, we note the *Dumping and Subsidy manual* provides that:

In constructing a normal value, Customs may include an amount for profit. Where all sales are made at a loss, no profit is added. Where sales in the ordinary course of trade are not in sufficient quantities, an amount for profit may be added in constructing the normal value. However in this scenario, Customs will not base the profit amount upon the low volume of domestic sales that were found to be unsuitable for determination of a normal value under s. 269TAC(1) of the Act.

Consistent with this policy, we will not apply the amount of profit that is applicable only to the recoverable sales of the individual models for which sufficient sales were not found.

Subregulation 181A(2) of the *Customs Regulations 1926* provides that, if reasonably possible, the profit must be calculated using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade.

Therefore, we have calculated profit with reference to all domestic sales for flood damaged pipe. We identified that the volume of recoverable sales was greater than 5% of the volume exported to Australia. We then assessed the profitability of the recoverable sales as 6.4%. We consider that this profit margin should be added to costs.

9.1.7 Adjustments – Conclusion

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

Domestic inland freight	Deduct the actual cost of inland
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	freight where applicable.
Export inland freight	Add the quarterly weighted average cost of export freight per kg.
Commission	Add the quarterly weighted average cost of commission per kg.
Handling and other charges	Add the quarterly weighted average cost of handling and other charges per kg.
Credit terms	Deduct an amount based on the quarterly average interest rate and credit terms of 20 days.
Profit	Add an amount for profit, where costs are used as a basis for normal value.

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10 NORMAL VALUE

10.1 Yieh Phui and Shin Yang

Yieh Phui and Shin Yang argued that one weighted average dumping margin be calculated for the two companies rather than individual dumping margins. We agreed that this should be the case because:

- Shin Yang is a wholly owned subsidiary of Yieh Phui;
- the equipment and personnel used by Shin Yang in its pipe product is the same equipment and personnel used by Yieh Phui in its pipe production prior to the transfer to Shin Yang; and
- Yieh Phui continues to provide administrative support to Shin Yang free of charge.

Therefore, we consider that a single dumping margin should be calculated, taking into account sales and costs over the entire investigation period.

10.2 Flood damaged goods

As previously explained, a small proportion of pipe exported to Australia and sold on the domestic market was at a discounted price due to flood damage. This product had been cosmetically damaged but was still suitable to be used for its intended purpose. Yieh Phui and Shin Yang requested that we exclude this product from our assessment. However, as these products still retain their essential characteristics and still fall within the description of the goods we consider that they must be included in the assessment.

Given that these goods were damaged and therefore attracted a lower price, we consider that they should be assessed separately from their undamaged counterparts and separate normal values be ascertained.

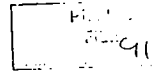
Therefore, we consider that flood damaged goods be assessed by model but treated as a separate category to the undamaged goods, ie domestic sales of undamaged PCS be compared to export sales of undamaged PCS, while domestic sales of flood damaged PCS be compared to export sales of flood damaged PCS.

10.3 Normal values

We found that the following models were exported to Australia:

- PCR
- PCS
- PGP
- PGR
- PGS
- PCP (flood damaged)
- PCR (flood damaged)
- PCS (flood damaged)

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- PHP (flood damaged)
- PZP (flood damaged)

We found sufficient volumes of domestic sales of PCR, PCS, PGP, PGR, PGS and flood damaged PCP, PHP and PZP by Yieh Phui and Shin Yang that were arms length transactions and at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by Yieh Phui and Shin Yang and the verification conducted on site, we are satisfied that prices paid in respect of those domestic sales are suitable for assessing normal value under s. 269TAC(1) of the Act.

In the case of flood damaged PCR and PCS, however, we found no domestic sales of this pipe type. Therefore, we were unable to determine the normal value for these models using s. 269TAC(1) of the Act.

We consider there is sufficient and reliable information relating to costs to use this as a basis for the normal value for these goods under s.269TAC(2)(c).

In addition, we consider other adjustments, in accordance with s. 269TAC(8) and (9) of the Act are necessary to ensure fair comparison of normal values with export prices. Using the data verified we consider adjustments are warranted for the items discussed in detail in the section above, and listed below:

- deduct domestic inland freight;
- add export inland freight;
- add commission;
- add handling and other charges;
- add credit terms adjustment; and
- add profit where costs are used as a basis for the normal value.

Detailed normal value calculations, and summary normal values, are contained in **confidential appendix 4**.

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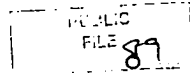
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11 DUMPING MARGIN – PRELIMINARY ASSESSMENT

We compared the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average product margin, for steel pipe exported to Australia by Yieh Phui and Shin Yang in 2010-11, was 2.8%. Details of this calculation are at **confidential appendix 5**.

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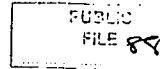
12 GENERAL COMMENTS

Yieh Phui and Shin Yang raised the following matters during the verification meeting;

Yieh Phui and Shin Yang submitted that given the related nature of Yieh Phui and Shin Yang and that production processes and personnel are the same for the two companies. The two entities' should be treated as one for the purposes of calculating a weighted average dumping margin across the investigation period.

Secondly Yieh Phui and Shin Yang submitted that grade 4 flood damaged pipe should be excluded from the export and domestic sales data. Yieh Phui and Shin Yang asserted that the company did not intend to produce flood damaged pipe, but that as a result of exceptional circumstances product was damaged and as a result sold at lower than normal prices.

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13 LIST OF APPENDICES AND ATTACHMENTS

Appendices

Confidential appendix 1	Export price calculations and summary
Confidential appendix 2	Hot rolled coil costs
Confidential appendix 3	Costs to make and sell
Confidential appendix 4	Domestic sales summary and normal value calculations
Confidential appendix 5	Dumping margin calculations

General

Confidential attachment GEN 1	Yieh Phui, Carbon Steel E.R.W Pipe & Tubes brochure
Confidential attachment GEN 2	<i>Shin Yang, Carbon Steel E.R.W Pipes & Tubes</i> brochure
Confidential attachment GEN 3	E United Group brochure
Confidential attachment GEN 4	Shin Yang's business registration
Confidential attachment GEN 5	Agreement between Yieh Phui and Shin Yang with regard to the pipe production asset transfer
Confidential attachment GEN 6	Yieh Phui's Chart of Accounts
Confidential attachment GEN 7	Shin Yang's Chart of Accounts
Confidential attachment GEN 8	Yieh Phui's Consolidated Financial Statements for 2009 and 2010
Confidential attachment GEN 9	Yieh Phui's Financial Statement for 2009 and 2010
Confidential attachment GEN 10	Yieh Phui's Interim Financial Statement 2009 and 2010
Confidential attachment GEN 11	Yieh Phui's Interim financial statement for 2011
Confidential attachment GEN 12	Yieh Phui's listing of affiliated parties
Confidential attachment GEN 13	Yieh Phui and Shin's Yang's affiliated service providers and customers
Confidential attachment GEN 14	General ledger statement demonstrating that oiling costs
Confidential attachment GEN 15	Yieh Phui and Shin Yang's detailed product listing of all products (including non-HSS products)

Export sales

Confidential attachment EXP 1	Agents agreements
Confidential attachment EXP 2	Extract from 'Steelnet' regarding hot rolled coil prices
Confidential attachment EXP 3	Upwards reconciliation worksheet for each company
Confidential attachment EXP 4	Yieh Phui summary of the general ledger for each month
Confidential attachment EXP 5	Shin Yang summary of the general ledger for May and June 2011
Confidential attachment EXP 6	Yieh Phui's general ledger statements for each month
Confidential attachment EXP 7	Shin Yang's general ledger statement for May and June 2011
Confidential attachment EXP 8	Source code utilised by the IT department to filter HSS
Confidential attachment EXP 9	Source documents for the 12 selected export sales
Confidential attachment EXP 10	Packaging cost worksheet
Confidential attachment EXP 11	Taiwan Customs official exchange rates

PUBLIC RECORD**Exporter visit – Yieh Phui Enterprise Co., Ltd & Shin Yang Steel Co., Ltd****Costs to make and sell**

Confidential attachment CTMS 1	CTMS spreadsheets
Confidential attachment CTMS 2	CTMS worksheet
Confidential attachment CTMS 3	Production chart and costs centres
Confidential attachment CTMS 4	Production volume reports
Confidential attachment CTMS 5	Hot rolled coil and other raw material cost documents
Confidential attachment CTMS 6	Direct labour and overhead cost ledgers and management accounts
Confidential attachment CTMS 7	Galvanising cost calculations
Confidential attachment CTMS 8	Zinc purchase invoices
Confidential attachment CTMS 9	Zinc scrap invoices
Confidential attachment CTMS 10	Direct labour and overhead allocations to goods under consideration
Confidential attachment CTMS 11	Shin Yang CTMS documents
Confidential attachment CTMS 12	Insurance documents
Confidential attachment CTMS 13	SG&A and finance costs
Confidential attachment CTMS 14	Revised income statement
Confidential attachment CTMS 15	Documents for verification to financial statements

Domestic sales

Confidential Attachment DOM 1	Domestic sales sources documents
Confidential Attachment DOM 2	Selected invoice
Confidential Attachment DOM 3	Warranty claim documents