



SECTION A COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office:

Name: **Kim, Hee-yeon**

Position in the company: **Manager of Bar In Coil Business Team**

Address: **15th Floor, HSBC Building, 37, Chilpae-ro, Jung-gu, Seoul, Korea (Seoul Office)**

Telephone: **82-2-2040-9753**

Facsimile number: **82-2-2051-3185**

E-mail address of contact person: **hykim@idaehan.com**

Factory:

a. **Shinpyeong Plant and Headquarter**

Address: **69 Hasinbeonyeong-ro, Saha-gu, Busan, Korea**

Telephone: **82-51-220-3300**

Facsimile number: **82-51-220-3398**

E-mail address of contact person: **hykim@idaehan.com**

b. **Noksan Plant**

Address: **333 Noksan Saneop Book-ro, Gangseo-gu, Busan, Korea**

Telephone: **82-51-330-9200**

Facsimile number: **82-51-330-9299**

PUBLIC RECORD

2

E-mail address of contact person: *hykim@idaehan.com*

c. Pyeongtaek Plant

Address: **268-39 Pyeongtaek Hang-ro, Poseung-up, Pyeongtaek-si, Gyeonggi-do, Korea**

Telephone: **82-31-650-0000**

Facsimile number: **82-31-650-0099**

E-mail address of contact person: *hykim@idaehan.com*

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name: **John Bracic (J.Bracic & Associates Pty. Ltd.)**

Address: **PO Box 3026 Manuka, ACT 2603, Australia**

Telephone: **61-0-499-056-729**

Facsimile/Telex number:

E-mail address of contact person: *john@jbracic.com.au*

Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

ANSWER: *The Company's legal name is "DAEHAN STEEL CO., LTD." (hereinafter "DAEHAN STEEL"). DAEHAN STEEL is a listed company in the Republic of Korea. Please note that DAEHAN STEEL does not use any other business name while it sells the goods under consideration.*

PUBLIC RECORD

3

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

ANSWER: *DAEHAN STEEL provides a list showing major shareholders including the percentage of shareholding in Confidential Appendix A-1.*

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

ANSWER: *This question is not applicable because DAEHAN STEEL is not a subsidiary of any other company.*

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

ANSWER: *This question is not applicable because DAEHAN STEEL is not a subsidiary of any other company.*

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

ANSWER: *DAEHAN STEEL provides a diagram of corporate structure showing all associated or affiliated companies in Confidential Appendix A-2.*

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

ANSWER: *This question is not applicable because there are no management fees/corporate allocations charged to DAEHAN STEEL by its related company.*

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

PUBLIC RECORD

4

ANSWER: *DAEHAN STEEL is a steel manufacturer that produces square billet, deformed bar-in-length(DBIL), deformed bar-in-coil(DBIC), and processed rebar products sold to Korea and various export markets, including Australia.*

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:
- produce or manufacture
 - sell in the domestic market
 - export to Australia, and
 - export to countries other than Australia.

ANSWER: *DAEHAN STEEL performs the above all functions in relation to the goods under consideration.*

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

ANSWER: *An organizational chart is provided in Confidential Appendix A-3.*

[REDACTED]

[REDACTED]

[REDACTED]

PUBLIC RECORD

5

[REDACTED]

[REDACTED]

[Non-confidential summary – Description of DAEHAN STEEL'S internal operating structure.]

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

ANSWER: DAEHAN STEEL does not issue an annual report. Thus, DAEHAN STEEL provides its brochures in Confidential Appendix A-4.

A-4 General accounting/administration information

1. Indicate your accounting period.

ANSWER: DAEHAN STEEL's fiscal year is the calendar year, January 1 to December 31.

2. Indicate the address where the company's financial records are held.

ANSWER: DAEHAN STEEL's most financial records are held in Busan headquarter. However, all relevant electronic information can be accessible through DAEHAN STEEL's ERP (SAP) system.

PUBLIC RECORD

6

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

ANSWER: DAEHAN STEEL provides chart of accounts in Confidential Appendix A-5. DAEHAN STEEL also provides its audited consolidated and unconsolidated financial statements in Confidential Appendix A-6.

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

ANSWER: This question is not applicable because DAEHAN STEEL has the accounts audited.

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

ANSWER: DAEHAN STEEL maintains its financial records in accordance with the Korean International Financial Reporting Standards (K-IFRS).

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

PUBLIC RECORD

7

ANSWER: *All relevant practices pertaining to DAEHAN STEEL's inventory valuation methodologies are detailed in DAEHAN STEEL's financial statements submitted in this response.*

Inventories are measured at the lower of cost and net realizable value. Costs are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized. Inventories are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

ANSWER: *Please refer to DAEHAN STEEL's response of cost accounting system in Section G.*

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

ANSWER: *Damaged or sub-standard goods are valued and recorded at the net realizable value.*

- valuation methods for scrap, by products, or joint products;

PUBLIC RECORD

8

ANSWER: *DAEHAN STEEL's cost accounting treatment of scrap is to recognize the value of the scrap as a reduction to the cost of manufacturing at the manufacturing stage in which the scrap is generated. Reused scrap is recorded as an input at net realizable value. Scrap is recorded by production process. Scrap is valued at net realizable value, with the cost deducted from the cost of manufacture.*

- valuation and revaluation methods for fixed assets;

ANSWER: *The acquisition cost of an asset consists of its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use. When the estimated cost of dismantling and removing the asset and restoring the site, after the termination of the asset's useful life, meets the criteria for the recognition of provisions, the present value of the estimated expenditure shall be included in the cost of the asset. Subsequent expenditure on property, plant and equipment shall be capitalized only when it increases future economic benefits beyond its most recently assessed standard of performance; all other subsequent expenditures shall be recognized as an expense in the period in which they are incurred.*

- average useful life for each class of production equipment and depreciation method and rate used for each;

ANSWER: *Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized and repairs and maintenance expenses are recognized in profit or loss in the period they are incurred.*

PUBLIC RECORD

9

Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Land is not depreciated. Costs that are directly attributable to the acquisition, construction or production of a qualifying asset, including capitalized interest costs, form part of the cost of that asset and are amortized over the estimated useful lives. The Company policy is that assets should be depreciated over the following estimated useful lives:

| <i>Account</i> | <i>Estimate useful lives</i> |
|-------------------------------|------------------------------|
| <i>Building and structure</i> | <i>20 ~ 61 years</i> |
| <i>Machinery</i> | <i>4 ~ 10 years</i> |
| <i>Vehicles</i> | <i>5 years</i> |
| <i>Leased assets</i> | <i>10 years</i> |
| <i>Others</i> | <i>5 years</i> |

- treatment of foreign exchange gains and losses arising from transactions;

ANSWER: *Foreign exchange transaction gains and losses were recognized in the year incurred and translated in Korean Won at the exchange rates of the Bank of Korea at the relevant specific date and were classified as other operating or finance income or expenses on DAEHAN STEEL's financial statements.*

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

ANSWER: *Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as financial income or expenses in DAEHAN STEEL's financial statement.*

- inclusion of general expenses and/or interest;

PUBLIC RECORD

10

ANSWER: DAEHAN STEEL recognizes general and interest expenses as current expenses. However, DAEHAN STEEL capitalizes those amounts which are directly related to construction in progress in accordance with Korean K-IFRS.

Financing expense on borrowing associated with certain qualifying assets during the construction period that meet certain criteria for capitalization can be either capitalized or expensed as incurred. DAEHAN STEEL has chosen to expense as a financing expense the cost of manufacturing, acquisition, and construction of property, plant, and equipment that require more than one year from the initial date of manufacture, acquisition, and construction to the date of the estimated completion of the manufacture, acquisition and construction.

- provisions for bad or doubtful debts;

ANSWER: DAEHAN STEEL makes provision of allowance for doubtful accounts by the expected future bad debt amount calculated by the analysis of the remaining balance of account receivables with percentage of the previously experienced bad debt accounts.

- expenses for idle equipment and/or plant shut-downs;

ANSWER: This question is not applicable because DAEHAN STEEL did not place in idle any significant assets nor shut down any plants.

- costs of plant closure;

ANSWER: This question is not applicable because DAEHAN STEEL has not experienced any plant closures during the POI or prior to the POI with residual effects during the POI.

- restructuring costs;

PUBLIC RECORD

11

ANSWER: *This question is not applicable because DAEHAN STEEL has not experienced any restructuring during the POI or prior to the POI with residual effects during the POI.*

- by-products and scrap materials resulting from your company's production process; and

ANSWER: *Please refer to the response with respect to scrap and by-products above.*

- effects of inflation on financial statement information.

ANSWER: *There is no effect inflation on financial statement information during the investigation period.*

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

ANSWER: *DAEHAN STEEL has not changed any of the accounting methods used by the company over the last two financial years.*

PUBLIC RECORD

12

A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

| | Most recent completed financial year (specify) | | Investigation period | |
|--|--|---------------------------|----------------------|---------------------------|
| | All products | Goods Under Consideration | All products | Goods Under Consideration |
| Gross Sales (1) | | | | |
| Sales returns, rebates and discounts (2) | | | | |
| Net Sales (3=1-2) | | | | |
| Raw materials (4) | | | | |
| Direct Labour (5) | | | | |
| Depreciation (6) | | | | |
| Manufacturing overheads (7) | | | | |
| Other operating expenses (8) | | | | |
| Total cost to make (9=4+5+6+7+8) | | | | |
| OPERATING INCOME (10=3-9) | | | | |
| Selling expenses (11) | | | | |
| Administrative & general expenses (12) | | | | |
| Financial expenses (13) | | | | |
| SG&A expenses (14)=(11+12+13) | | | | |
| INCOME FROM NORMAL ACTIVITIES (15)=(10-14) | | | | |
| Interest income (16) | | | | |
| Interest expense (enter as negative) (17) | | | | |
| Extraordinary gains and Losses – enter losses as negative (18) | | | | |
| Abnormal gains and losses – enter losses as negative (19) | | | | |
| | | | | |

PUBLIC RECORD

13

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|--|--|--|--|--|
| PROFIT BEFORE TAX (20)=(15+16+17+18+19) | | | | |
| Tax (21) | | | | |
| NET PROFIT (22)=(20-21) | | | | |

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

Prepare this information on a spread sheet named "**Income statement**".

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.

ANSWER: DAEHAN STEEL provides the requested information concerning income statement in Confidential Appendix A-7.

A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

| | Most recent completed financial year (specify) | | Investigation period | |
|--|--|-------|----------------------|-------|
| | Volume | Value | Volume | Value |
| Total company turnover (all products) | | | | |
| Domestic market | | | | |
| Exports to Australia | | | | |
| Exports to Other Countries | | | | |
| Turnover of the nearest business unit, for which financial statements are prepared, which includes the goods under consideration | | | | |
| Domestic market | | | | |
| Exports to Australia | | | | |
| Exports to Other Countries | | | | |
| Turnover of the goods under consideration | | | | |
| Domestic market | | | | |
| Exports to Australia | | | | |
| Exports to Other Countries | | | | |

Prepare this information in a spreadsheet named "TURNOVER".

PUBLIC RECORD

14

This information will be used to verify the cost allocations to the goods under consideration in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

ANSWER: DAEHAN STEEL provides the requested information concerning company's turnover in Confidential Appendix A-8.

PUBLIC RECORD

15

SECTION B
SALES TO AUSTRALIA (EXPORT PRICE)

This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but the Commission may also compare prices at the ex factory level.

*You should report prices of **all** goods under consideration (the goods) **shipped** to Australia during the investigation period.*

The invoice date will normally be taken to be the date of sale. If you consider:

the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;

an alternative date should be used when comparing export and domestic prices

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

name;
address;
contact name and phone/fax number where known; and
trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

ANSWER: DAEHAN STEEL has provided the requested information concerning each customer to whom DAEHAN STEEL made export sales of the goods under consideration to Australia in Confidential Appendix B-1.

B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.
- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.
- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

PUBLIC RECORD

16

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).
- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.
- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (e.g. free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).
- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

ANSWER: *For export sales of the goods under consideration to Australia, DAEHAN STEEL [REDACTED]. Details of sales process are as follows:*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Detailed description and explanation of DAEHAN STEEL's export process and terms and conditions.]

PUBLIC RECORD

17

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

ANSWER: *The export selling prices* [REDACTED]

[REDACTED]

[REDACTED].

[Non-confidential summary – Explanation of factors affecting export prices.]

- B-4** Prepare a spreadsheet named "Australian sales" listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

| Column heading | Explanation |
|--------------------------|---|
| Customer name | names of your customers |
| Level of trade | the level of trade of your customers in Australia |
| Model | commercial model name |
| Product code | code used in your records for the model/grade/type identified. Explain the product codes in your submission. |
| Finish | Specify product finish (e.g. black, painted, epoxy coated, galvanised, powder-coated, painted, anodized, other) |
| Straight or Coil | Specify whether rebar is in a straight length or in a coil |
| Length | Specify length |
| Dimension | Specify diameter |
| Deformation Type | Specify how surface is deformed (e.g. ribbed, indented, etc) |
| Grade | Specify strength grade manufactured to (e.g. 250, 500 etc.) |
| Production method | Specify the method used to achieve mechanical properties (e.g. Water-quenched & self-tempered OR microalloyed OR cold-worked) |
| Standard manufactured to | Specify the standard the rebar was manufactured to comply with |
| ACRS Certification | Specify whether the product has Australasian Certification Authority for Reinforcing and Structural Steels (ACRS) certification |
| Ductility | Specify Ductility class manufactured to |
| Alloy | If the product is made from 'alloy steel', specify this and specify the alloy |
| Invoice number | invoice number |
| Invoice date | invoice date |
| Date of sale | Refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date. |
| Order number | if applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale. |
| Shipping terms | Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms) |
| Payment terms | Agreed payment terms eg. 60 days=60 etc |
| Invoice weight basis | Show basis on which goods are weighted for invoice purposes (e.g. theoretical or actual). |
| Actual weight | Actual weight of (specify units e.g. Tonnes) |

PUBLIC RECORD

18

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|--|--|
| Theoretical weight | Theoretical weight, if your business uses theoretical weight (specify units e.g. Tonnes) |
| Gross invoice value | Gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i> |
| Discounts on the invoice | If applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column. |
| Rebates or other allowances | The amount of any deferred rebates or allowances paid to the importer in the currency of sale. |
| Other charges | Any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description. |
| Invoice currency | The currency used on the invoice |
| Exchange rate | Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system |
| Net invoice value in the currency of the exporting country | The net invoice value expressed in your domestic currency as it is entered in your accounting system |
| Other discounts | The actual amount of other discounts (e.g. quantity discounts) not deducted from the invoice. Show a separate column for each type of quantity discount. |
| Ocean freight** | The actual amount of ocean freight incurred on each export shipment listed. |
| Marine insurance | Amount of marine insurance |
| FOB export price** | The free on board price at the port of shipment. |
| Packing* | Packing expenses |
| Inland transportation costs* | Inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export. |
| Handling, loading & ancillary expenses* | Handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country. |
| Warranty & guarantee expenses* | Warranty & guarantee expenses |
| Technical assistance & other services* | Expenses for after sale services, such as technical assistance or installation costs. |
| Commission | Commissions paid. If more than one type is paid insert additional columns of data. |
| Other Costs | Any other costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B.5. |

** FOB export price and Ocean Freight:
Costs marked with * are explained in section E-2.

PUBLIC RECORD

19

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

* All of these costs are further explained in section E-1.

ANSWER: DAEHAN STEEL submits the requested information concerning Australian sales with computerized file. The printouts of this export sales file are provided in Confidential Appendix B-2.

B-5 If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

ANSWER: In accordance with the instruction of this questionnaire, DAEHAN STEEL has reported "credit expense" for export sales to Australia in the field "Other factors" in question B-4.

B-6 For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

ANSWER: [REDACTED]

[REDACTED]

[Non-confidential summary – Export sale terms and conditions.]

PUBLIC RECORD

20

- B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

ANSWER:

[REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Export sale terms and conditions.]

- B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

| | |
|------------------|---|
| Import duties | Amount of import duty paid in Australia |
| Inland transport | Amount of inland transportation expenses within Australia included in the selling price |
| Other costs | Customs brokers, port and other costs incurred (itemise) |

ANSWER:

[REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Export sale terms and conditions.]

- B-9** Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- Applicable test certificates and production reports.
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

PUBLIC RECORD

21

ANSWER: DAEHAN STEEL provides its sample documentation for two export sales to Australia during the investigation period in Confidential Appendix B-3.

SECTION C
EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

ANSWER: *DAEHAN STEEL exported deformed Bar- in-Coil (DBIC) to Australia during the investigation period.*

DAEHAN STEEL maintains a product code (material item code) system to identify the specifications and key physical characteristics of all products and for inventory control purpose. DAEHAN STEEL uses this product code in normal course of business and cost calculation. Please see Confidential Appendix C-1, detailing coding structure as well as identifying product specifications. The same product coding system is used for both the Korean market and the export markets including Australia.

Concerning the details of the goods under consideration to Australia including product specification, please refer to DAEHAN STEEL's company brochure provided in Confidential Appendix A-4.

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet "Australian sales" – see section B of this questionnaire)

ANSWER: *A list showing each type of goods export to Australia during the investigation period is provided in Confidential Appendix C-2.*

Please note that DAEHAN STEEL creates individual product model for each unique type and possible combination of product characteristics for all the goods under consideration exported to Australia as well as for those sold domestically by using the following criteria:

PUBLIC RECORD

23

1. Product Type

'DBIL' = Deformed Bar-in-Length

'DBIC' = Deformed Bar-in-Coil

2. Steel Grades

[Non-confidential summary – Product characteristics.]

3. Dimension

A = [REDACTED]

B = [REDACTED]

C = [REDACTED]

D = [REDACTED]

C-3 If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

- and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

| EXPORTED TYPE | DOMESTIC TYPE | IDENTICAL? | DIFFERENCES |
|---|---|---|---|
| Product code of each model of the goods exported to Australia | Product code of comparable model sold on the domestic market of the country of export | If goods are identical indicate "YES". Otherwise "NO" | Where the good exported to Australia is not identical to the like goods, describe the specification differences. If it is impractical to detail specification differences in this table refer to documents which outline differences For instance, differences in production methods (e.g. water-quenched vs micro-alloyed) to achieve mechanical properties for export vs domestic sales must be noted. |

PUBLIC RECORD

24

ANSWER: *DAEHAN STEEL submits the requested information concerning exported goods and like goods with computerized file named "Like goods". The printout of this file is provided in Confidential Appendix C-3.*

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

ANSWER: *Concerning any technical and illustrative material in identifying or classifying the goods, please refer to the company brochure provided in Confidential Appendix A-4.*

PUBLIC RECORD

25

SECTION D DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

*All domestic sales made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

The Commission will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.

If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices –

*you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a normal value using alternative methods.

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

ANSWER: *In the domestic market, DAEHAN STEEL sold [REDACTED]. The [REDACTED]. The distribution channel can be summarized as follows:*

PUBLIC RECORD

26

[REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Explanation regarding trading relationships with domestic customers.]

Barter Sales.

In its domestic sale listing at Confidential Appendix D-4, DAEHAN STEEL has classified certain individual transactions of DBIC as 'Barter Sales'. These transactions have been made by way of a barter arrangement with certain domestic customers. Normal or non-barter sales have been classified 'Commercial sales' in Appendix D-4 as these reflect typical transactions where price is negotiated between DAEHAN STEEL and its customers, and payment is made by the buyer subject to the terms of sale.

PUBLIC RECORD

27

[REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Detailed description regarding terms and conditions of domestic barter sales.]

DAEHAN STEEL intends providing a further detailed explanation of the business model underpinning these barter sales during the Anti-Dumping Commission's verification visit.

- D-2** Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

PUBLIC RECORD

28

ANSWER: *DAEHAN STEEL's selling prices*

[REDACTED]

[Non-confidential summary – Explanation regarding factors affecting domestic selling prices.]

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales;
- whether the invoice price is based on theoretical or actual weight ;and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

ANSWER:

[REDACTED]

PUBLIC RECORD

29

For domestic sales, [REDACTED]

DAEHAN STEEL in the domestic market is provided in Confidential Appendix D-1.

[Non-confidential summary – Detailed explanation of domestic selling process, terms and conditions of sale.]

- D-4** Prepare a spreadsheet named “domestic sales” listing all sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

| Column heading | Explanation |
|--------------------------|--|
| Customer name | Names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name. |
| Level of trade | The level of trade of your domestic customer |
| Model | Commercial model |
| Product code | Code used in your records for the model/grade/type of the goods identified. Explain the product codes in your submission. |
| Production method | Specify the method used to achieve mechanical properties (eg. Water-quenched & self-tempered OR microalloyed OR cold-worked) |
| Finish | Specify product finish (e.g. black, painted, epoxy coated, galvanised, powder-coated, painted, anodized, other) |
| Grade | Specify strength grade manufactured to (eg 250, 500 etc) |
| Deformation Type | Specify how surface is deformed (eg ribbed, indented, etc) |
| Straight or Coil | Specify whether rebar is in a straight length or in a coil |
| Length | Specify length |
| Dimension | Specify diameter |
| Standard manufactured to | Specify the standard the rebar was manufactured to comply with |
| Ductility | Specify Ductility class manufactured to |
| Alloy | If the product is made from 'alloy steel', specify this and specify the alloy |
| Imperial or metric | Specify if the product sold is an imperial or metric-sized beam |

PUBLIC RECORD

30

| | |
|--|--|
| Invoice number | Invoice number |
| Invoice date | Invoice date |
| Date of sale | Refer to the explanation at the beginning of this section. If you consider that a date other than the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date. |
| Order number | If applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale. |
| Delivery terms | Delivery terms |
| Payment terms | Agreed payment terms eg. 60 days=60 etc |
| Invoice weight basis | Specify whether invoicing is done on theoretical or actual weight basis |
| Actual weight | Actual weight of (specify units e.g. Tonnes) |
| Theoretical weight | Theoretical weight, if your business uses theoretical weight (specify units e.g. Tonnes) |
| Gross Invoice value | Gross value shown on invoice in the currency of sale, net of taxes. |
| Discounts on the Invoice | The amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column. |
| Rebates or other Allowances | The actual amount of any deferred rebates or allowances in the currency of sale |
| Other charges | Any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide description. |
| Net invoice value in the currency of the exporting country | The net invoice value expressed in your domestic currency as recorded in your accounting system |
| Other discounts | The actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount. |
| Packing* | Packing expenses |
| Inland transportation Costs* | Amount of inland transportation costs included in the selling price. |
| Handling, loading And ancillary Expenses* | Handling, loading & ancillary expenses. |
| Warranty & Guarantee expenses* | Warranty & guarantee expenses |
| Technical assistance & other services* | Expenses for after sale services such as technical assistance or installation costs. |
| Commissions* | Commissions paid. If more than one type is paid insert additional columns of data. |
| Other factors* | Any other costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5. |

Costs marked with * are explained in section E-2.

ANSWER: DAEHAN STEEL submits the requested information listing all sales of like goods made by DAEHAN STEEL during the investigation period with a CD-ROM separately. The sample printout of this "Domestic sales" file is provided in Confidential Appendix D-2.

D-5 If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a

PUBLIC RECORD

31

column for each item (see "other factors"). For example, certain other selling expenses incurred.

ANSWER: *In accordance with the instruction of this questionnaire, DAEHAN STEEL has reported two other adjustments such as [REDACTED] and [REDACTED] for domestic sales in the field "Other factors" in question D-4.*

D-6 For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

ANSWER:

[REDACTED]
[REDACTED]
[REDACTED]

[Non-confidential summary – Information regarding domestic sale terms and conditions.]

D-7 Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

PUBLIC RECORD

32

ANSWER: DAEHAN STEEL provides its sample documentation for two domestic sales during the investigation period in Confidential Appendix D-3.

SECTION E FAIR COMPARISON

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.

PUBLIC RECORD

34

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

ANSWER: *DAEHAN STEEL has reported in this field the transaction-specific inland transport expense incurred to transport the goods from the factory to the port.*

[REDACTED]

[Non-confidential summary – Internal accounting information.]

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("**Handling, loading & ancillary expenses**"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

PUBLIC RECORD

35

ANSWER: *DAEHAN STEEL has reported in this field the terminal handling charge, wharfage charge and other ancillary charges incurred at the port for the export and bank charges incurred to collect money.*

[REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Internal accounting information.]

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

ANSWER: *DAEHAN STEEL has reported credit expense on export sales in the field "Other factors" in question B4. The reported credit expenses were calculated on a transaction-specific basis using the following formula:*

Credit Expense

$$= \text{Net Invoice Value (KRW)} \times (\text{Payment date} - \text{Invoice date}) / 365 \times \text{Short-term Interest Rate Denominated Foreign Currency}$$

The calculation of DAEHAN STEEL's short-term borrowing rate denominated foreign currency during the investigation period is provided in Confidential Appendix E-1.

4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed '**Packing**'.

PUBLIC RECORD

36

ANSWER: [REDACTED]

[REDACTED]

[Non-confidential summary – Export terms and conditions.]

5. **Commissions**

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "**Commissions**". Identify the general ledger account where the expense is located.

ANSWER: [REDACTED]

[REDACTED]

[Non-confidential summary – Export terms and conditions.]

6. **Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("**Warranty & guarantee expenses**" and "**Technical assistance & other services**"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

ANSWER: [REDACTED]

[REDACTED]

[Non-confidential summary – Export terms and conditions.]

7. **Other factors**

PUBLIC RECORD

37

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

ANSWER: *As explained above, DAEHAN STEEL has reported “credit expense” in this field. See DAEHAN STEEL’s response to question E-1.3.*

8. **Currency conversions**

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a ‘sustained’ movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect ‘sustained’ movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

ANSWER: *DAEHAN STEEL does not think a currency conversion is required due to the fluctuations in exchange rates for the investigation period in this proceeding.*

E-2 **Costs associated with domestic sales**

(These cost adjustments will relate to your responses made at question D-4, “**domestic sales**”)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. **Physical characteristics**

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

PUBLIC RECORD

38

ANSWER: This question is not applicable because DAEHAN STEEL does not claim any adjustment for the difference of physical characteristics.

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: *"Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs"*

PUBLIC RECORD

39

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

ANSWER: This question is not applicable because DAEHAN STEEL does not claim any adjustment for duty drawback.

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions:* the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

PUBLIC RECORD

40

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

ANSWER: This question is not applicable because DAEHAN STEEL does not claim any level of trade adjustment.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system¹, the average credit period may be determined as follows:

1. Calculate an accounts receivable turnover ratio

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

¹Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

PUBLIC RECORD

41

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. Calculate the average credit period

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

The following items are identified in the amounts quantified at question D-4:

ANSWER: [REDACTED]

[REDACTED] **DAEHAN STEEL**

provides in Confidential Appendix E-2 various payment terms offered to domestic customers. DAEHAN STEEL has reported in the field "Other factors (Credit expense)" its credit expenses which were calculated on a transaction-specific basis using the following formula:

Credit Expense

$$\begin{aligned} &= \text{Net Invoice Value (KRW)} \times (\text{Payment date} - \text{Invoice date}) / 365 \times \\ &\quad \text{Short-term Interest Rate Denominated Korean Currency} \end{aligned}$$

And, the calculation of DAEHAN STEEL's short-term borrowing rate denominated Korean currency during the investigation period is provided in Confidential Appendix E-3.

[Non-confidential summary – Domestic terms and conditions.]

PUBLIC RECORD

42

5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales ("**Inland transportation Costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

ANSWER: [REDACTED]

[Non-confidential summary – Domestic terms and conditions and explanation of internal accounting.]

6. **Handling, loading and ancillary expenses**

List all charges that are included in the domestic price and explain how they have been quantified ("**Handling, loading and ancillary Expenses**"). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

ANSWER: *Since DAEHAN STEEL did not pay any handling, loading and ancillary expenses in relation to the domestic sales, this question is not applicable.*

7. **Packing**

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed "**Packing**".

ANSWER: *Please refer to DAEHAN STEEL's response to question E-1.4.*

8. **Commissions**

For any commissions paid in relation to the domestic sales:

- provide a description

PUBLIC RECORD

43

- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed "**Commissions**". Identify the general ledger account where the expense is located.

ANSWER: *This question is not applicable because DAEHAN STEEL did not pay any commissions in relation to the domestic sales.*

9. **Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("**Warranty & Guarantee expenses**" and "**Technical assistance & other services**"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

ANSWER: [REDACTED]

[Non-confidential summary – Domestic terms and conditions and explanation of internal accounting.]

10. **Other factors**

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "**Other factors**". List the factors and show how each has been quantified in per unit terms. For example:

PUBLIC RECORD

44

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

ANSWER: *As stated above, DAEHAN STEEL has reported "credit expense" in the "Other factors (Credit expense)" field. Concerning the calculation of credit expense for domestic sales, please refer to DAEHAN STEEL's response to question E-2.4 above.*

[REDACTED]

[REDACTED]

A worksheet detailing the calculation of [REDACTED] is provided in Confidential Appendix E-5. For the calculation of the short-term interest rate, please see Confidential Appendix E-3.

[REDACTED]

[Non-confidential summary – Domestic terms and conditions.]

PUBLIC RECORD

45

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

ANSWER: This question is not applicable because there is no duplication in DAEHAN STEEL's reported adjustments for sales in both

PUBLIC RECORD

46

SECTION F
EXPORT SALES TO COUNTRIES OTHER THAN
AUSTRALIA (THIRD COUNTRY SALES)

Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

| Column heading | Explanation |
|-----------------------|--|
| Country | Name of the country that you exported like goods to over the investigation period. |
| Number of customers | The number of different customers that your company has sold like goods to in the third country over the investigation period. |
| Level of trade | The level of trade that you export like goods to in the third country. |
| Quantity | Indicate quantity, in units, exported to the third country over the investigation period. |
| Unit of quantity | Show unit of quantity eg kg |
| Invoice weight basis | Specify whether invoicing is done on theoretical or actual weight basis |
| Value of sales | Show net sales value to all customers in third country over the investigation period |
| Currency | Currency in which you have expressed data in column SALES |
| Payment terms | Typical payment terms with customer(s) in the country eg. 60 days=60 etc |
| Shipment terms | Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc. |

Supply this information in spreadsheet file named "Third country"

ANSWER: DAEHAN STEEL submits the requested information concerning export sales to third countries with computerized file. The printouts of this export sales file are provided in Confidential Appendix F-1.

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

PUBLIC RECORD

47

ANSWER: *This question is not applicable because there is no difference which may affect comparison between export sales to Australia and export sales to third countries.*

PUBLIC RECORD

48

SECTION G COSTING INFORMATION AND CONSTRUCTED VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;*
- determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and*
- making certain adjustments to the normal value.*

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

- reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and*
- provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)*

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

ANSWER: The goods under consideration were produced at DAEHAN STEEL's three production facilities – (i) Shinpyeong Plant, (ii) Noksan Plant and, (iii) Pyeongtaek Plant.

PUBLIC RECORD

49

A flow-chart of the production process for the product produced at three plants during the investigation period is provided in Appendix G-1. As the chart indicates, both the GUC and non-GUC are produced at these three facilities.

The following is a brief description of each of the production lines through which the GUC pass, depending on the final product being produced.

[illegible][illegible]

PUBLIC RECORD

50

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

PUBLIC RECORD

51

[REDACTED]

As is normal in the steel industry, steel scrap is both used and generated in the manufacture of the GUC and non-GUC.

[Non-confidential summary – Detailed explanation of the production process undertaken by DAEHAN STEEL.]

G-2. Provide information about your company's total production in the following table:

| | PREVIOUS FINANCIAL YEAR | MOST RECENT FINANCIAL YEAR | Investigation Period |
|---|-------------------------------|----------------------------------|-------------------------|
| A – Production capacity (eg kg, tonnes)* | | | |
| B – Actual production in volume (eg kg, tonnes) | | | |
| C – Capacity utilisation (%) (B/A x 100) | | | |

* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spreadsheet named "**Production**".

ANSWER: *DAEHAN STEEL provides the production information as requested in Confidential Appendix G-2, named as "Production" and also included in the CD-ROM to be submitted.*

G-3. Cost accounting practices

PUBLIC RECORD

52

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

ANSWER: DAEHAN STEEL uses a process cost accounting system based on SAP System. The cost accounting system is an integral part of DAEHAN STEEL's accounting system used to prepare the company's normal financial statement data by providing a measure, in accordance with Korean GAAP, of the cost of sales and inventory. A flow-chart of how the system records and reports costs for the merchandise throughout the production process is provided in Confidential Appendix G-3.

2. Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

ANSWER: DAEHAN STEEL's cost accounting system is a standard cost based system in that the SAP structure mandates that companies develop standard costs. DAEHAN STEEL utilizes these standard costs for budget and planning purposes and to evaluate results during the month. However, DAEHAN STEEL calculates actual costs at month's end and adjusts the standard cost for the difference between the standard and actual costs. DAEHAN STEEL has used the actual costs recorded in its normal cost accounting system as the basis for the reported product costs.

Each inventory code has a standard cost and the variances (purchase price and cost variances) are calculated by production order, accumulated and tracked through the production process by material code.

[REDACTED]

[REDACTED]

[REDACTED]

PUBLIC RECORD

53

[REDACTED]

[Non-confidential summary – Detailed explanation of cost accounting methodology.]

- 3 Provide details of any significant or unusual cost variances that occurred during the investigation period.

ANSWER: During investigation period, there are no significant or unusual cost variances.

- 4 Describe the profit/cost centres in your company's cost accounting system.

ANSWER: DAEHAN STEEL already provides a list of cost center in the cost accounting system in Confidential Appendix G-4.

PUBLIC RECORD

54

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

ANSWER: *Please see the response to question G-3.2 above.*

- 6 Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

ANSWER: *As explained in question G-3.2, DAEHAN STEEL's cost accounting system records its production cost by inventory (material) code level. Inventory codes contain the information of item type, product group, steel grade, nominal size, and item's attribute. Description of DAEHAN STEEL's material item code is provided in Confidential Appendix C-1.*

- 7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

ANSWER: *There is no production cost which is valued differently for cost accounting purposes than for financial accounting purposes.*

- 8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

ANSWER: *This question is not applicable because DAEHAN STEEL did not engage in any start-up operation.*

- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

ANSWER: *This question is not applicable because DAEHAN STEEL did not engage in any start-up operation.*

PUBLIC RECORD

55

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.²

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.
2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

| | Quarter X | Quarter X | Quarter X | Quarter X |
|--|-----------|-----------|-----------|-----------|
| Like Domestic Model/Type – from spreadsheet LIKE GOOD (section C-3) | | | | |
| Material Costs ¹ | | | | |
| Direct Labour | | | | |
| Manufacturing Overheads | | | | |
| Other Costs ² | | | | |
| Total Cost to Make | | | | |
| Selling Costs | | | | |
| Administration Costs | | | | |
| Financial Costs | | | | |
| Delivery Expenses ³ | | | | |
| Other Costs ³ | | | | |
| Unit Cost to Make and Sell | | | | |

Prepare this information in a spreadsheet named "**Domestic CTMS**".

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses **that relate to the goods under consideration** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

² The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

PUBLIC RECORD

56

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

ANSWER: Please find the attached computer file "Domestic CTMS" listing in CD-Rom accompanying this response. The printouts of Domestic cost file are provided in Confidential Appendix G-6. DAEHAN STEEL provides the supporting documentation and worksheet for a sample product extracted from its cost accounting system in Confidential Appendix G-7. For unit cost of selling, administration and financing, DAEHAN STEEL provides the table to show the calculation of unit cost of selling, administration and financing in Confidential Appendix G-8.

PUBLIC RECORD

57

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

| | Quarter X | Quarter X | Quarter X | Quarter X |
|---|-----------|-----------|-----------|-----------|
| Model/Type exported to Australia – from spreadsheet LIKEGOOD | | | | |
| Material Costs ¹ | | | | |
| Direct Labour | | | | |
| Manufacturing Overheads | | | | |
| Other Costs ² | | | | |
| Total Cost to Make | | | | |
| Selling Costs | | | | |
| Administration Costs | | | | |
| Financial Costs | | | | |
| Delivery Expenses ³ | | | | |
| Other Costs ³ | | | | |
| Unit Cost to Make and Sell | | | | |

Prepare this information in a spreadsheet named "**Australian CTMS**".

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

PUBLIC RECORD

58

ANSWER: Please find the attached computer file "Australian CTMS" listing in CD-Rom accompanying this response. The printouts of Australian cost file are provided in Confidential Appendix G-9.

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

ANSWER:

[REDACTED]

However,

[REDACTED] Please refer to Confidential Appendix G-8.

[Non-confidential summary –Explanation of costing differences between domestic and export goods.]

- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

ANSWER: This question is not applicable because there is no any difference between the production cost data supplied in reply to this question and costs normally determined by DAEHAN STEEL's accounting system.

PUBLIC RECORD

59

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

ANSWER: This question is not applicable because there is no any difference between the production cost data supplied in reply to this question and costs normally determined by DAEHAN STEEL's accounting system.

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

PUBLIC RECORD

60

ANSWER:

[REDACTED]

DAEHAN STEEL has provided in Confidential Appendix G-10 the total value of the raw materials [REDACTED]

[REDACTED]

[REDACTED]

[Non-confidential summary – Information regarding DAEHAN STEEL'S raw material purchases.]

PUBLIC RECORD

61

SECTION H
EXPORTER'S DECLARATION



I hereby declare that DEAHAN STEEL (company) did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.



I hereby declare that.....(company) did not, during the period of investigation, export the goods under consideration and therefore have not completed the attached questionnaire.

Name : *Kim, Hee-yeon*

Signature : *Heeyeon Kim*

Position in

Company : *Manager of Bar In Coil Business Team*

Date : *December 12, 2014*

PUBLIC RECORD

62

SECTION I CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

| Section | Please tick if you have responded to all questions |
|--|--|
| Section A – general information | ✓ |
| Section B – export price | ✓ |
| Section C – like goods | ✓ |
| Section D – domestic price | ✓ |
| Section E – fair comparison | ✓ |
| Section F – exports to third countries | ✓ |
| Section G – costing information | ✓ |
| Section H – declaration | ✓ |

| Electronic Data | Please tick if you have provided spreadsheet |
|--|--|
| INCOME STATEMENT | ✓ |
| TURNOVER – sales summary | ✓ |
| AUSTRALIAN SALES – list of sales to Australia | ✓ |
| DOMESTIC SALES – list of all domestic sales of like goods | ✓ |
| THIRD COUNTRY – third country sales | ✓ |
| PRODUCTION – production figures | ✓ |
| DOMESTIC COSTS – costs of goods sold domestically | ✓ |
| AUSTRALIAN COSTS – costs of goods sold to Australia | ✓ |