



Verification report – Overseas Exporter
Case AD0021: Single-mode Optical Fibre Cables from the PRC

Period of Investigation (POI):	1 st January 2021 – 31 st December 2021
Injury Period:	1 st January 2018 – 31 st December 2021
Date of report:	18/04/2023 18 th April 2023
Case team contact details:	AD0021@traderemedies.gov.uk
Company verified:	Shenzhen SDG Information Co., Ltd. (the “Company” or “SDG”)

For further details, please see the [Notice of initiation](#) on the public file.



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Executive Summary

On 26 April 2022, the Trade Remedies Authority (TRA) initiated an anti-dumping investigation (AD0021) into alleged dumping of optical fibre cable imported into the United Kingdom (UK) from the People's Republic of China (PRC).

Shenzhen SDG Information Co., Ltd. (hereafter "SDG"), an exporter and producer of the like goods operating in the PRC, responded with a completed questionnaire, and cooperated fully with the investigation. As part of the investigation, the TRA sought to verify the response including the information annex submitted with the questionnaire. This report details the evidence gathered and the key findings from the verification of the information.

During the verification process, the TRA:

- compared the questionnaire response to information from open sources where practicable;
- conducted a remote walkthrough to determine the level of reliance that can be placed on of SDG's accounting system;
- checked the submitted information annex for consistency with SDG's audited financial statements provided;
- checked SDG submitted information annex for consistency with sales, purchases, and cost source documents provided;
- reviewed the costs allocated to the like goods and each Product Control Number (PCN) for reasonableness;

The TRA conducted a remote verification exercise to facilitate further analysis of submitted data and give SDG the opportunity to provide additional details and clarifications about its submission. The TRA were also able to contact SDG throughout the investigation to request clarifications and further information to aid the verification process.

Based on the verification activity undertaken, the TRA have a reasonable level of assurance on the accuracy and completeness of the information provided by SDG. We will therefore use the submitted questionnaire information for any relevant purpose in this investigation.

Purpose of verification

The purpose of the TRA's verification activity is to provide the assurance considered necessary to decide whether the information provided by SDG is verifiable and can be used for the purposes of our investigation. Such information can then be considered in our assessments and analysis to determine whether injury is caused or likely to be caused to the UK industry by dumped imports of the goods concerned. This will form the basis for establishing appropriate measures where necessary, and to assess whether these are in the UK's economic interest.



We have carried out verification activities using desk-based procedures and remote analysis. The TRA undertook work considered appropriate and possible within the time constraints of the investigation to obtain assurance upon which to base our decision.

This verification report documents the work the TRA has completed, the checks we have carried out and conclusions we have reached about the reliability of information provided by SDG.

Confidential information

SDG must provide a non-confidential version of the verification report marked as “non-confidential” in the header of the non-confidential verification report.

If any information contained in the verification report is considered confidential, SDG should delete or redact those sections and provide a non-confidential summary of the information which has been removed. It must provide reasons as to why the particular matter is considered confidential (see also [public guidance](#)).

The non-confidential version of the verification report will be placed on the public file. (<https://www.trade-remedies.service.gov.uk/public/case/AD0021/>).



Verification

Please find below a summary of work that has been completed and the checks that have been carried out by the TRA to determine whether the information provided by SDG in its questionnaire response is verifiable.

A. Company structure and associations

What information was considered
<p>Company structure and associations:</p> <ul style="list-style-type: none"> • Company details • General company structure, ownership, and management. • Associations with other companies. • Accounting practices and policies • SDG questionnaire submission • Audited financial statements • Information gathered during the TRA's accounting system walkthrough <p><i>If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see Confidential information):</i></p> <p>N/A</p>
How the information was checked
<p>Company detail, including structure, ownership, and management The TRA has compared the details of SDG, including its ownership and management, with its audited financial statements and company website. We have found that company details such as establishment dates, facility location, structure and corporate ownership of the company are consistent across all sources. <i>[Redacted as this section describes SDG's ownership].</i></p> <p>Associations with other companies and ultimate ownership The TRA compared the companies that SDG stated were associated within its questionnaire response to its audited financial statements. We have concluded that the associated companies listed in the financial statements are fully consistent with SDG questionnaire submission.</p> <p>Accounting practices and policies SDG's 2021 published financial statements have been translated into English and state that they have been prepared in accordance with the PRC Accounting Standards for Business Enterprises (ASBEs). The financial statements were independently audited by a PRC public accountant. It is the auditor's opinion that the financial statements fairly reflect the business achievements and cash flows during 2021.</p>



Systems walkthrough

The TRA performed a remote walkthrough of SDG’s accounting system on 13 October 2022. This was undertaken to review how its costs and sales are tracked and recorded. We concluded that the system appeared to be effective, with evidence of effective controls over data input and minimal need for manual interventions. SDG also provided the audit trail for transactions selected by the TRA, showing all relevant source documentation associated with them. The TRA also received screenshots with English translations, enabling us to compare the accounting system outputs we viewed with the questionnaire submission provided.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

SDG’s ownership contains detailed share structures, disclosure of which could enable competitors to understand SDG’s business functions and strategic planning, and consequently harm SDG’s market competitive position. This information is therefore redacted.

Exceptions/Findings/Adjustments

There were no exceptions, findings, and adjustments to report with regards to the company information and associations.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

Conclusions

The information relating to company structure and associations that we have been provided by SDG is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for the purpose of this investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

B. Goods

What information was considered

- The internal product code system used by SDG
- Allocation of products to PCNs
- The separation of in-scope and out-of-scope products
- Consistency between different sections of the annex



If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

How the information was checked

Internal product code system

The TRA confirmed that the characteristics described in SDG’s internal product code system – which are broadly industry standard – are consistent with the identifying characteristics of the PCNs.

Allocation of products to PCNs

The TRA compared how SDG was allocating internal product codes in its system to PCNs against product descriptions available in the company’s sales brochures online and technical specification documents sent to us by SDG. This process assessed whether SDG had followed the PCN structure correctly in its questionnaire response. We did not find any instances of misallocated products for any PCNs.

The separation of in-scope and out-of-scope products

SDG submitted documentation detailing the method by which it filters in-scope products from products not relevant to the investigation. This revealed that it uses an *[Redacted as this section describes SDG’s specific inner system]* to automate PCN allocation. SDG also explained the criteria the system uses to assign PCNs or to filter products out of scope. We are satisfied that the process is effective at identifying those products either in or out of scope. The TRA did not identify any instances where out-of-scope information has been included in the information submitted for this investigation.

Consistency between different sections of the annex

We compared the PCNs and internal product codes in the annexes produced by SDG in the questionnaire response against all source documents and each other to assess whether PCN allocation was consistent across all SDG-submitted documentation. We found that SDG’s PCN allocation process appeared consistent, and we are satisfied that products have not been misallocated PCNs.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

This information is related to SDG’s specific sensitive business of internal cost and accounting systems, disclosure of which could bring harm to SDG. For this reason, such information is redacted.

Exceptions/Findings/Adjustments

There were no exceptions, findings, and adjustments to report with regards to goods and PCN allocation.



If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

Conclusions

The information relating to SDG's goods that has been provided by SDG is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA to calculate margins or for any other purpose in this review.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

C. Sales

What information was considered

Upwards Verification

- Transaction-by-transaction domestic sales information for the like goods.
- Audited financial statements.
- Management accounts.

Downwards verification

- Transaction-by-transaction domestic sales information for the like goods.
- Sales source documentation, such as invoices or payment remittances.
- Rebates and price reductions

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

How the information was checked

We conducted upwards and downwards verification of SDG's data wherever possible. Upwards verification is where we reconcile SDG's questionnaire response to audited financial statements, and downwards verification is where we reconcile SDG's questionnaire response to transaction source documents and assess the accuracy of the information.

Upwards Verification

We identified a variance in sales from the values reported in the published financial statements and the management accounts; this is due to *[Redacted as this section describes SDG's transaction dealing method]*. With this taken into



consideration and adjusted for, the trial balance revenue reconciled with the revenue as per the financial statements. The POI is coincidental to SDG's financial year, consequently no realignment action is necessary.

Further checks undertaken include establishing whether the trial balance and management accounts align with the values contained in the questionnaire submission and the audited financial statements.

We have been able to reconcile the information submitted for the like good and goods concerned to SDG's management accounts, trial balance and audited financial statements for the POI. We have a reasonable level of assurance that the total sales information provided is complete and relevant.

Downwards verification

We also compared sampled sales transaction information to source documentation. For each transaction, the following items were reviewed:

- Supply contract and/or purchase order
- Sales Invoice
- Delivery Note or proof of shipping/dispatch
- Proof of payment and a source document confirming payment.
-

The TRA received the supporting information requested for these transactions prior to the remote verification exercise. We identified *[Redacted as this section describes SDG's transaction dealing method]*. We resolved this by requesting the *[Redacted as this section describes SDG's accounting ledger]* for each customer sampled, where invoice amounts could be traced to entries on the ledger. We also requested and reviewed bank receipts which were traced to entries on the *[Redacted as this section describes SDG's accounting ledger]*.

There was no evidence of any undeclared discounts allowed by SDG during the POI. We have therefore not changed the submission in any way to adjust for discount policies.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

Transaction dealing method and specific accounting ledger are sensitive business reflecting SDG's transaction and accounting ledger, disclosure of which could give SDG's disadvantage competitive position in the market. We have accordingly chosen to redact this information.

Exceptions/Findings/Adjustments

There were no exceptions, findings, and adjustments to report with regards to SDG's submitted sales information.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):



N/A

Conclusions

The information relating to sales provided by SDG is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for calculating margins, and for any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

D. Fair Comparison

What information was considered

Fair Comparison:

- Price reductions and rebates
- Transportation, handling, loading and ancillary costs
- Cost, Insurance and Freight (CIF) Value
- Credit

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

How the information was checked

Price reductions and rebates

We identified variations to product prices in sales agreements between SDG and its customers. We established this to be due to sales contracts being determined by negotiation or bidding and are therefore satisfied that all prices are declared correctly by SDG.

Transportation, insurance, handling, loading and ancillary costs.

We checked supporting documents of each selected transaction to establish whether transportation related charges had been applied; no such charges were identified.

Cost, Insurance and Freight (CIF) Value

As actual shipment is based on other incoterms, SDG estimated the CIF value. SDG provided the source documents used when estimating the insurance and freight costs. The TRA is satisfied with how this was calculated, including how these were allocated across individual transactions.



Credit

The calculation of credit adjustment has been checked and is reasonable. We are satisfied that the adjustment for credit charges is necessary and requires no further adjustments by the TRA.

The TRA is content that the fair adjustments made are reasonable, and no amendments are required.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

Exceptions/Findings/Adjustments

There were no exceptions, findings, and adjustments to report with regards to fair comparison.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

Conclusions

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

The information relating to fair comparison provided by SDG is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for any purpose within the investigation.

E. Costs

What information was considered

Upwards verification

- The cost to make the like goods
- The cost to sell the like goods
- Audited financial statements
- Management accounts

Downwards verification

- The cost to make the like goods
- The cost to sell the like goods
- Management accounts
- Cost source documentation



If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

How the information was checked

Upwards verification

We reconciled the total cost to make stated in SDG's submitted questionnaire annex to its audited financial statements and trial balance.

SDG initially provided only the cost information for the respective cost centres that produce both the goods concerned and the like goods. Subsequently, supporting evidence submitted by SDG provided financial information detailing the total costs for all goods, by combining information from all departments; including those producing the goods concerned and like goods. *[Redacted as this section describes SDG's transaction dealing method]*, the total cost to make could be reconciled to the total cost of production as reported in SDG's published financial statements.

Downwards verification

The TRA compared cost data provided by SDG in the questionnaire response to source documents to verify accuracy and relevance. This was done by requesting SDG's source documentation associated with a sample of relevant cost accounts. For each transaction, the following items were reviewed:

- Supply contracts
- Purchase Invoices
- Proof of payment and a source document confirming payment.

Some queries were identified during desk-based analysis, which were resolved during the remote verification exercise by tracing invoice amounts to entries in the ledgers. We also reviewed bank payments and traced them to entries on the accounts payable ledger.

We reviewed the method used to allocate costs to each PCN and transaction and have reasonable assurance that it is appropriate.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

This information contains SDG's confidential business dealing method, disclosure of which could affect SDG's market competitive position. We have chosen to redact this information.

Exceptions/Findings/Adjustments

There were no exceptions, findings, and adjustments to report with regards to SDG's submitted cost information.



If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

Conclusions

The information relating to costs provided by SDG is verifiable. Based on the work we have done, we have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate and can therefore be used by the TRA for dumping margins or any other purpose within the investigation.

If you have redacted or removed any information, please provide reasons as to why the information is considered confidential (see [Confidential information](#)):

N/A

Conclusions

Verification of SDG’s submitted information and its accounting system identified no material concerns.

The TRA has reasonable assurance that the company and product information provided for the POI can be verified to source documentation and that the information complete, relevant, and accurate.

We have been able to reconcile the submitted cost and sales information to SDG’s audited financial statements and we have reasonable assurance regarding the completeness, relevance, and accuracy of this information.

The information relating to fair comparison that has been provided by SDG is verifiable. We have a reasonable level of assurance that the information can be treated as complete, relevant, and accurate.

In summary, we have obtained sufficient and appropriate evidence to conclude that the information provided is verifiable.



Annexes

Annex 1: Meetings

Date and duration	Type of authentication	Company representatives	TRA representatives
Wednesday 12 th October 2022, 8:00 – 11:00 GMT	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	<i>[Redacted as this section describes personal information]</i>	<i>[Redacted – Contains personal information about meeting participants]</i>
Monday 9 th – Wednesday 11 th January 2023, 07:30 – 11:30 GMT	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	<i>[Redacted as this section describes personal information]</i>	<i>[Redacted – Contains personal information about meeting participants]</i>

This information contains personal information. We have chosen to redact this information.