



Verification report – Overseas Exporter

Case AS0046: Certain excavators from China

Period of Investigation (POI):	1 July 2022 to 30 June 2023
Injury Period:	1 July 2019 to 30 June 2023
Date of report:	19 August 2024
Case team contact details:	AS0046@traderemedies.gov.uk
Interested Party verified:	Shanghai SANY Heavy Machinery Co., Ltd. (Sany Shanghai)

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



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Executive Summary

The Trade Remedies Authority (TRA) is conducting an anti-subsidy investigation to determine whether subsidisation has occurred on certain excavators imported into the United Kingdom (UK) from the People's Republic of China (PRC), and if this subsidisation is causing injury to the UK industry.

More information about the case can be found on the public files:

[AS0046 – Certain excavators from the PRC](#)

Shanghai SANY Heavy Machinery Co., Ltd. (Sany Shanghai), an exporter of the goods concerned, returned a completed, exporter questionnaire ('questionnaire response'). Sany Shanghai is a producer of excavators; it exports its products **[CONFIDENTIAL – information concerning prices at which the company exports the goods concerned]** to an associated company in the UK. We conducted verification work on information provided by Sany Shanghai to ascertain the completeness, relevance and accuracy of the information submitted in its questionnaire response.

- We conducted an on-site verification to evaluate the completeness, relevance and accuracy of information provided in the questionnaire response.
- We conducted a walkthrough of the accounting system to gain an appreciation of it and to assess the level of reliance to place on the data provided.
- We conducted a tour of the factory to gain an understanding of its production facilities and processes.
- We compared information provided in the questionnaire response regarding general company set-up and associates against information on the company's website and audited financial statements checking for consistency.



- We reconciled questionnaire responses with information held in Sany Shanghai's Accounting System and its financial statements to ensure completeness, relevance and accuracy.

Based on the verification activity undertaken the TRA have a reasonable level of assurance on the completeness, relevance and accuracy of the information provided by Sany Shanghai and can rely on it for the purpose of this investigation.



Purpose of verification

The purpose of the TRA's verification activity is to determine whether the information provided by interested parties is complete, relevant, and accurate and can be used in our investigation. This verification report sets out the conclusions reached for each component that covers the scope of our work. It also provides an overall conclusion stating the level of assurance reached.

The information verified may then be considered in our assessments and analysis to determine whether subsidisation has occurred and if this subsidisation is causing injury to the UK industry. This will form the basis for establishing appropriate measures where necessary, and to assess whether these are in the UK's economic interest.

We conducted most of our verification activities onsite. The TRA did not seek to verify all information provided, but undertook the work considered appropriate and possible within the time constraints of the investigation to obtain assurance upon which to base our case decision.

This verification report documents the work completed, providing an overview of the range and scope of verification procedures performed, for each component that covers the scope of our work, on the information submitted by Sany Shanghai. It details the conclusions reached regarding completeness, relevance and accuracy of information provided, including an overall conclusion stating the level of assurance reached.



Confidential information

Sany Shanghai must provide a non-confidential version of the verification report marked as 'non-confidential' in the header.

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

The non-confidential version of the verification report will be placed on the public file.



Verification

Please find below a summary of work completed by the TRA to determine whether the information provided by Sany Shanghai in its questionnaire response can be considered as complete, relevant, and accurate.



A. Company structure and associations

What information was considered

- Company details
- Owners and shareholders
- Associated companies
- Accounting practices

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

How the information was checked

- We reviewed the company details provided by Sany Shanghai by comparing it with information published on its website.
- We examined the audited financial statements for the financial year ending December 2022 provided by Sany Shanghai, for consistency with ownership, shareholders, associated companies, and accounting policies and practices information provided in the questionnaire response.
- When reviewing information provided, we noted that some associated companies were not declared in all sections, Sany Shanghai corrected this and provided an updated questionnaire response following completion of onsite verification.
- For one of the sampled transactions, the sale was incorrectly recorded as **[CONFIDENTIAL – level of trade of the sale at issue]**. Management investigated and evidenced that only **[CONFIDENTIAL – number of transactions]** sales transactions made to an associated party were incorrectly classified as **[CONFIDENTIAL – level of trade of the sale at issue]**. Sany Shanghai walked us through how the information was retrieved from **[CONFIDENTIAL – name of the accounting system used by the company]** and provided a reasonable explanation on how the error



occurred. The error was corrected, and an updated questionnaire response provided.

The information provided by Sany Shanghai on ownership, structure and associations was cross-checked by examining official documents provided in the questionnaire response and through discussions with management. We found that the information from audited accounts and the company's website aligns with information provided in its questionnaire response. The company provided an updated questionnaire response at the end of verification that corrected minor errors discussed above.

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

The information redacted was supplied on a confidential basis and is confidential by nature. The disclosure of such information would give a significant advantage to a competitor and would have a significant adverse effect on the company supplying the information. A non-confidential summary of the information redacted has been provided.

Exceptions/Findings/Adjustments

There was an error regarding the level of trade details provided in the questionnaire response, **[CONFIDENTIAL – number of transactions]** sales transactions to an associated party were incorrectly classified as **[CONFIDENTIAL – level of trade of the sale at issue]**. Sany Shanghai walked us through how the information was retrieved from **[CONFIDENTIAL – name of the accounting system used by the company]** and provided a reasonable explanation on how the error occurred. The error was corrected, and an updated questionnaire response provided.

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



The information redacted was supplied on a confidential basis and is confidential by nature. The disclosure of such information would give a significant advantage to a competitor and would have a significant adverse effect on the company supplying the information. A non-confidential summary of the information redacted has been provided.

Conclusions

The information relating to company structure and associations provided by Sany Shanghai is verifiable. Based on the work performed, 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 injury assessments 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](#)):



B. Accounting Systems and Procedures

What information was considered

- Information Technology Systems and Applications
- Accounting policies, significant risks, and chart of accounts
- Sales and customer order process and procedures
- Purchase order and invoice approval process and procedures

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

How the information was checked

We conducted a walkthrough of the company's accounting applications to gain an appreciation of the system and to assess the level of reliance to place on the data provided. Sany Shanghai predominantly uses **[CONFIDENTIAL – name of the accounting system used by the company]** for its core accounting processes. We also discussed supporting systems in use and were advised that these are fully integrated with **[CONFIDENTIAL – name of the accounting system used by the company]**.

- We conducted a sale and purchase order process walkthrough. Sany Shanghai showed us how each selected transaction was processed, step by step through the accounting system from inception to being recorded on the relevant ledger.
- We reviewed and discussed accounting policies listed in the notes to the audited financial statements. The financial statements are in accordance with Accounting Standards for Business Enterprises. These align quite closely to International Financial Reporting Standards (IFRS).
- Sany Shanghai demonstrated how information provided in the questionnaire response was extracted from **[CONFIDENTIAL – name of the accounting**



system used by the company] and explained methodologies used for cost allocations where relevant.

We found no material risk factors when reviewing Sany Shanghai’s accounting systems.

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Exceptions/Findings/Adjustments

None.

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

Conclusions

Based on the work performed, we have obtained a basic understanding of the relevant accounting and associated business systems of Sany Shanghai. This enabled us to plan and execute appropriate verification procedures.

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



C. Goods

What information was considered

- Goods description of the goods concerned assigned to PCN's
- Goods description of the like goods assigned to PCN's
Internal coding systems

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

How the information was checked

The TRA reviewed sales and export documentation provided by Sany Shanghai to ascertain whether PCNs were accurately allocated to the goods in scope. During verification we:

- Reviewed weight and description of goods provided in the questionnaire response against the allocated PCN to check goods in scope were declared correctly.
- Examined sales and export documentation checking the weight of the goods declared to ensure accuracy of declarations and classifications into PCNs.
- Examined Sany Shanghai's internal coding system to check it corresponds to the correct PCN.
- Reviewed and were satisfied goods listed as 'other company products' were outside the scope of the investigation.

Our findings indicate that the PCN structure has been consistently applied across submitted data.

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



Exceptions/Findings/Adjustments

None.

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

Conclusions

The information relating to the company's goods provided by Sany Shanghai is verifiable. Based on the work performed, 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 injury assessments 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](#)):

D. Costs



What information was considered

- Direct and indirect cost components
- Sample of raw material purchases
- Direct labour, administration selling and general (AS&G) costs
- Associated party transactions and arm's length prices

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

How the information was checked

Upwards Verification

The TRA carried out upwards verification to check whether the total costs reported in the questionnaire responses were consistent with what is reported in Sany Shanghai's audited financial statements. The POI spans two financial years ending December 2022 and 2023. We were able to reconcile the cost of goods sold figure provided in the questionnaire response to the aligned financial statements provided with an immaterial variance of less than 1%. The variance had no effect on the cost figures of goods concerned and the like goods reported during the POI and therefore no further action was taken.

During our on-site verification visit:

- Sany Shanghai demonstrated how financial information was extracted from **[CONFIDENTIAL – name of the accounting system used by the company]** to generate questionnaire responses.
- We observed management demonstrate how total cost and other key cost categories provided in the questionnaire response reconciled to information retrieved live from **[CONFIDENTIAL – name of the accounting system used by the company]**.



- Sany Shanghai explained in detail the methodology used to allocate costs to PCNs including how Research and Development costs were accounted for and allocated to PCNs.

Downwards Verification

The TRA conducted downwards verification to check the accuracy and relevance of cost transactions listed in the questionnaire response. Prior to verification visit, the TRA requested and were provided source documents for a sample of cost transactions.

During our onsite verification visit:

- We matched sampled transaction information to source documents such as purchase orders, invoices, and payment confirmation documentation.
- We observed how cost transactions for some of the samples, flowed through the accounting systems from the start of a purchase to the delivery of the goods.
- We reviewed AS&G costs submitted in the questionnaire response and observed management reperform extraction of this information from **[CONFIDENTIAL – name of the accounting system used by the company]** with no issues. The AS&G costs provided appeared relevant and proportionate to our understanding of the business.

Overall, we were satisfied that the cost information provided by Sany Shanghai, reconciled to aligned financial statements. Sampled transactions were also traced to source documents with no material issues.

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

The information redacted was supplied on a confidential basis and is confidential by nature. The disclosure of such information would give a significant advantage to



a competitor and would have a significant adverse effect on the company supplying the information. A non-confidential summary of the information redacted has been provided.

Exceptions/Findings/Adjustments

None.

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

Conclusions

The information relating to costs provided by Sany Shanghai is verifiable. Based on the work performed, 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 injury assessments 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](#)):



E. Sales

What information was considered

- Domestic and export sales reconciliations
- Sample of relevant sales transaction
- Price reductions
- Associated party sales

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

How the information was checked

Upwards Verification

The TRA conducted upwards verification to ascertain the completeness of the sales figures provided in the questionnaire response. We reconciled the total revenue of all goods sold during the POI reported in the questionnaire response to the sales figures from the aligned financial statement of the financial years ending December 2022 and 2023.

During our on-site verification visit:

- We traced back sales information submitted in the questionnaire response to source ledgers in **[CONFIDENTIAL – name of the accounting system used by the company]** checking for consistency.
- We reconciled the total sales figure for goods in scope provided in the questionnaire response with relevant figures extracted from the sales ledger with no issues.
- Sany Shanghai demonstrated how it extracted and generated sales information for the questionnaire response from **[CONFIDENTIAL – name of the accounting system used by the company]** with no issues.



Downwards Verification

The TRA selected a sample of domestic and export sales transactions for verification. We requested source documentation ahead of the verification visit such as sales order, sales invoice, bank receipts and various export documentation.

During our on-site verification visit:

- We examined sampled sales transactions. We traced back the transactions to source documents, from order inception through to payment evidence.
- We compared transaction by transaction data with corresponding data retrieved live from the sales ledger.
- One of the sampled transactions had the wrong level of trade declared. Sany Shanghai explained how this error occurred and provided evidence that confirmed this had affected an immaterial number of transactions. The error was corrected, and an updated questionnaire response provided as stated in the section above.
- Information on rebates was not originally accounted for as an adjustment to the selling price in the questionnaire response. Sany Shanghai explained how rebates on domestic sales were calculated and provided sufficient information for the TRA to consider.
- We discussed export freight charges and were satisfied that these were appropriately accounted for in the questionnaire response.
- We discussed and gained an understanding of how sales were processed between Sany Shanghai and its associated companies in the UK.

Overall, we were satisfied that the sales information provided by Sany Shanghai reconciled to aligned financial statements. Sampled transactions were traced to source documents and all issues raised during verification were addressed. Sany



Shanghai resubmitted an updated questionnaire response at the end of our verification visit.

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The information redacted was supplied on a confidential basis and is confidential by nature. The disclosure of such information would give a significant advantage to a competitor and would have a significant adverse effect on the company supplying the information. A non-confidential summary of the information redacted has been provided.

Exceptions/Findings/Adjustments

None.

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

Conclusions

The information relating to sales provided by Sany is verifiable. Based on the work performed, 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 injury assessments 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](#)):



F. Fair Comparison

What information was considered

- Credit Terms
- Discounts and rebates
- Physical characteristics
- Transportation costs
- Export charges

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

How the information was checked

Credit terms

Credit terms were calculated using **[CONFIDENTIAL – type of interest rates]** interest rates from the bank of China. We reviewed calculations in the questionnaire response for accuracy.

Physical characteristics

We have identified there is no material difference in the goods concerned and like goods sold both on the domestic market and exported by Sany Shanghai.

Discounts and rebates

Sany Shanghai evidenced how rebates on domestic sales were calculated and accounted for on **[CONFIDENTIAL – name of the accounting system used by the company]**. As rebates were not originally adjusted for in the questionnaire response, Sany Shanghai provided further information on rebates for the TRA to



consider as detailed in the sales section above. We are satisfied that rebates information provided is sufficient and can be considered by the TRA for relevant calculations.

Transportation and packaging costs

Invoices were checked for inclusion of freight costs; delivery charges were inspected during verification. We are satisfied that transportation costs are declared correctly. For PCN, M, L & XL the actual transportation cost was reported. For PCN S a calculation was made for the freight costs. The calculation methodology is considered reasonable.

Export charges and Duty drawback

Accounting systems and documentation were checked for correctly declared export charges and duty drawbacks.

We traced back a sample of adjustment transactions provided in the questionnaire response to ledgers in the accounting system. Transactions such as insurance, handling costs, loading costs and packaging costs were also traced to source documentation, we were satisfied these were correctly and accurately recorded.

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

The information redacted was supplied on a confidential basis and is confidential by nature. The disclosure of such information would give a significant advantage to a competitor and would have a significant adverse effect on the company supplying the information. A non-confidential summary of the information redacted has been provided.

Exceptions/Findings/Adjustments



None.

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

Conclusions

The information relating to fair comparison provided by Sany Shanghai is verifiable. Based on the work performed, 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 injury assessments.

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



G. Subsidies

What information was considered

We examined the following information provided in the questionnaire response:

- Subsidies received by Sany Shanghai
- The apportionment of the subsidy in the exported goods
- Pass-through subsidies
- Source documents

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

How the information was checked

Subsidies received by Sany Shanghai

A sample of subsidies have been confirmed and quantified to Sany Shanghai's **[CONFIDENTIAL – name of the accounting system used by the company]** system and original documentation. We examined grant applications, loan agreements, loan repayments and land purchase documentation. We were able to trace these payments back to bank receipts. **[CONFIDENTIAL – number of loan repayments declared]** loan repayments had been declared, however only **[CONFIDENTIAL – number of loan repayments occurred in the POI]** had occurred in the POI. The error was corrected, and an updated questionnaire response provided.

We also examined relevant documentation to assess whether any subsidies had not been declared. We identified subsidies in the trial balance which were potentially unreported in the questionnaire response. However, Sany Shanghai was able to explain what these were and demonstrated how they fed into subsidies already reported. We were able to match figures reported in the



questionnaire response to its [**CONFIDENTIAL – name of the accounting system used by the company**] system.

The apportionment of the subsidy in the exported goods

By examining questionnaire responses, we observed Sany Shanghai has apportioned subsidies to reflect UK sales of the goods concerned as a percentage of all sales during the POI. We are satisfied with the basis of apportionment.

Pass-through subsidies

No subsidies recorded as pass-through were identified in Sany Shanghai’s questionnaire response or during verification. Sany Shanghai stated that it pays market rates for purchases of goods and services. However, the subsidy assessment post verification will continue to assess the areas of alleged subsidisation to consider whether a subsidy exists.

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The information redacted was supplied on a confidential basis and is confidential by nature. The disclosure of such information would give a significant advantage to a competitor and would have a significant adverse effect on the company supplying the information. A non-confidential summary of the information redacted has been provided.

Exceptions/Findings/Adjustments

None.

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



Conclusions

The information relating to subsidies provided by Sany Shanghai is verifiable. Based on the work 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 subsequent subsidy and injury assessments 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](#)):



Conclusions

We verified company details and ownership information provided by Sany Shanghai by comparing it with audited financial statements and information published on the company website. We reviewed goods in scope and PCN allocation for consistency and accuracy.

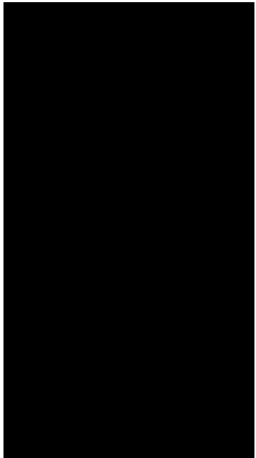
During verification, Sany Shanghai demonstrated how it generated cost and sales information from accounting applications. A sample of cost and sales transaction was traced back to source documents with no material or unresolved issues.

Sany Shanghai provided sufficient and appropriate evidence, which enabled us to conduct verification work on a sample basis as detailed in sections above. Based on the work performed, we have a reasonable level of assurance that the information provided in its questionnaire response is complete, relevant, and accurate for the purpose of this investigation.



Annexes

Annex 1: Meetings

Date and duration	Type of authentication	Company representatives	TRA representatives
7 June 2024 4 hours	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	[CONFIDENTIAL – Names of the individuals that attended the RCC]	
24 June – 28 June 2024 35 hours	<input type="checkbox"/> remote <input checked="" type="checkbox"/> on-site	[CONFIDENTIAL – Names of the individuals that attended the on-the-spot verification]	