



Verification report – Overseas Exporter Case AS0022: 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:	20 th April 2023
Case team contact details:	AS0022@traderemedies.gov.uk
Company verified:	Shenzhen SDGI Optical Network Technologies Co., Ltd. (“SDGI”)

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-subsidy investigation (AS0022) into alleged subsidised optical fibre cable imported into the United Kingdom (UK) originating from the People's Republic of China (PRC).

Shenzhen SDGI Optical Network Technologies Co., Ltd. (hereafter "SDGI") an exporter and producer of the like goods and goods concerned operating in the PRC, submitted a completed questionnaire response and has co-operated fully with the investigation. As part of the investigation, the TRA sought to verify the response, including the data annex submitted with the questionnaire response. This report details the evidence gathered and the key findings from the verification of the data.

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 SDGI's accounting system;
- checked the submitted data annex for consistency with SDGI's audited financial statements;
- checked SDGI submitted data annex for consistency with sales, purchasing, and cost source documentation;
- 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 to give SDGI the opportunity to provide additional details and clarifications about its submission. The TRA was also able to contact SDGI by email throughout the investigation to request clarifications and further information to aid the verification process.

The verification activities we have undertaken have led us to conclude that we have a reasonable level of assurance on the accuracy and completeness of the information provided by SDGI. We will therefore use the questionnaire response data for any relevant purpose in this investigation.

Purpose of verification

The purpose of the TRA's verification activity is to provide the level of assurance that can be placed upon the information provided by an interested party (IP). Such information can then be considered in our assessments and analysis to determine whether injury is caused or is likely to be caused to the UK industry by subsidised 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 analysis. The TRA undertook work considered appropriate and possible within the time constraints of the investigation. to seek assurance upon which to base our decision.

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

Confidential information

SDGI 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, SDGI 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 information 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/AS0022/>).



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 SDGI in its questionnaire response is verifiable.

A. Company structure and associations

What information was considered

- Company details;
- General company structure, ownership, and management;
- Associations with other companies;
- Accounting practices and policies;
- SDGI's questionnaire response;
- Audited financial statements; and
- Information gathered during the TRA's accounting system walkthrough.

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

Company details, including structure, ownership, and management

The TRA has cross checked company details submitted by SDGI in its questionnaire response with its published financial statements and company website. We found that company details such as establishment dates, ownership, corporate structure, and facility locations were consistent across all sources. We have not been able to compare the list of board of directors stated in the questionnaire response to the 2021 audited financial statements as the board is not reported in this document. However, the TRA considers this issue not to be material to the case.

Associations with other companies and ultimate ownership

The TRA compared the list of companies that SDGI stated it has associations with, in its questionnaire response, to its audited financial statements and the financial statements of its immediate parent company Shenzhen SDG Information Co., Ltd. ("SDG") and found no issues. **[CONFIDENTIAL: Information concerning ultimate controlling body]**

Accounting practices and policies

The 2021 published financial statements have been translated into English and state they have been prepared in accordance with the PRC Accounting Standards for Business Enterprises (ASBEs) and independently audited by a PRC public



accountant. The auditor’s opinion states that SDGI’s financial statements fairly reflect the business achievements and cash flows during 2021.

Accounting system walkthrough

On 13 October 2022, the TRA carried out a remote walkthrough of SDGI’s accounting system and policies to review how its costs and sales are tracked and recorded. SDGI showed how its accounting system records and stores information. The system was found to be highly automated and integrated, with several system controls in place and minimal need for manual intervention.

SDGI also provided the audit trail underpinning transactions selected by the TRA, showing all relevant source documents associated with each transaction. The TRA also received multiple screenshots with English translations on request, enabling us to compare the accounting system outputs viewed with the questionnaire responses provided. Based on this walkthrough, the TRA has a reasonable level of assurance on the reliability of the accounting system used by SDGI and can therefore rely on system outputs to inform our verification activities.

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

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

Exceptions/Findings/Adjustments

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

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 company structure and associations provided by SDGI 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 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](#)):



B. Goods

What information was considered

- The internal product code system used by SDGI
- 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](#)):

How the information was checked

Internal product code system

The TRA confirmed that the characteristics described in SDGI's internal product code system are consistent with the identifying characteristics of the PCNs.

Allocation of products to PCNs

The TRA compared how SDGI was allocating internal product codes in its system to PCNs against product descriptions available in the company's online sales brochures and technical specification documents sent to us by SDGI. This process assessed whether SDGI 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

SDGI produced documentation detailing the method by which it filters in-scope products from products not relevant to the investigation. SDGI showed the TRA how it uses its **[CONFIDENTIAL: Information concerning accounting system]** to automate PCN allocation; it explained what criteria this system uses to assign PCNs or to filter products out of scope. We are satisfied that this process is effective at correctly identifying which products are in scope and we found no instances where data outside of scope has been included in the data submitted for this investigation.

Consistency between different sections of the annex

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



We have a reasonable level of assurance that the information relating to products that SDGI has provided us is verifiable and can be treated as complete, relevant, and accurate.

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 SDGI's specific accounting system, disclosure of which could bring harm to SDGI. For this reason, such information is removed.

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](#)):

Conclusions

The information relating to SDGI's goods that we have been provided by SDGI 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 investigation.

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

C. Sales

What information was considered

Upwards Verification

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

Downwards verification

- Transaction-by-transaction domestic sales data for the like goods.
- Sales source documentation, such as invoices or payment remittances.
- Price reductions and sales agreements



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

Upwards Verification

The TRA reconciled the total revenue in SDGI's audited financial statements for 2021 to the cumulative annual revenue recorded in its management accounts and the questionnaire response, without reconciliation issues.

We verified SDGI's adjustment for intra-company transactions by reconciling all relevant costs to SDGI's trial balance and management accounts and have reasonable assurance that the adjustments are appropriate.

Based on this, the TRA has a reasonable level of assurance that the goods concerned, as reported in the transaction sales listing included within the questionnaire annex, fall within the total sales revenue for the POI, and that the data submitted is complete and relevant.

The TRA also analysed the sales volume in fibre kilometres (FKM) of the like goods and the goods concerned as reported in SDGI's questionnaire response to the total FKM volume of all products sold by it during the POI as reported by SDGI's management accounts. This reconciled to the FKM length of like goods and goods concerned sold by SDGI during the POI as stated in its questionnaire response.

As we have been able to reconcile the data submitted for the like good and goods concerned to SDGI's audited financial statements for the POI, we have a reasonable level of assurance that the total sales data provided is complete and relevant.

Downwards verification

The TRA analysed a number of sales transactions to seek assurance that SDGI's submitted sales data can be matched to source documents. This was done by requesting SDGI's source documentation associated with a sample of the selected sales transactions. 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 recurring issues regarding bank payments, where it was found that they were often processed in batches and therefore did not always reconcile to the invoice value per the sample. We resolved this by requesting the accounts receivables ledgers 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 accounts receivable ledger.

We resolved a number of minor issues through reconciling the invoice value in full to ensure these were complete and then agreed the unit price for the goods sampled to confirm the sales annex and source documents were consistent. We therefore have a reasonable level of assurance that the sales transactions provided by SDGI are accurate and relevant.

There was no evidence of any undeclared discounts allowed by SDGI 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](#)):

Exceptions/Findings/Adjustments

There were no exceptions, findings, and adjustments to report with regards to the cost data.

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 SDGI 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](#)):



D. Fair Comparison

What information was considered

- The SDGI questionnaire response
- Submitted data annexes
- Sampled transaction source and supporting documents
- Calculation methods used for each adjustment method

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

Price reductions and rebates

We identified different prices in sales agreements with SDGI's customers and established that this is because they are determined by negotiation or bidding. We are therefore satisfied that all prices are declared correctly by SDGI.

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.

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.

Sales service fees

[CONFIDENTIAL: Information concerning details of sales service fee arrangement] The allocation has been assessed for reasonableness, and the service fee cost has been checked as part of the selected cost transactions.

The TRA identified no further fair comparison adjustments that are material to the investigation. We have not made any further adjustments based on fair comparison.

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

The information removed above concerning details of sales service fee arrangement which is commercially sensitive. Publicly disclosing such information would harm SDGI's market and competitive position.



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](#)):

Conclusions

The information relating to fair comparison provided by SDGI 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 margins calculations 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](#)):

E. Costs

What information was considered

Upwards verification

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

Downwards verification

- The cost to make the like good
- The cost to sell the like good
- Management accounts
- Cost source documentation such as purchase invoices, credit notes, or contract information.

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

We reconciled the total cost to make stated in SDGI’s submitted annex to its published financial statements and trial balance. There were several areas that required clarification during this process including explanations around intra-company transfers. SDGI provided acceptable additional information and clarifications which resolved our queries.

Downwards verification

The TRA compared cost data provided by SDGI in the questionnaire response to source documents to verify accuracy and relevance. This was done by requesting SDGI’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 verification by tracing invoice amounts to entries in the ledger.

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

We have a reasonable level of assurance on the completeness and relevance of the cost to make data submitted.

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

There were no exceptions, findings, and adjustments to report with regards to SDGI’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](#)):

Conclusions

The information relating to costs provided by SDGI 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 margin calculations or any other relevant use 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. Subsidy

What information was considered

Subsidy

- Grants with details of applications being accepted and bank receipts from grant payments.
- Loans and supporting evidence.
- Preferential tax programmes.
- Land use rights with copies of relevant contracts on land procurement.
- Export credit insurance with documentation on bank receipts and premiums paid.

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 has verified source documents for the following subsidy types that SDGI have potentially benefited from.

Grants

SDGI provided source documentation evidencing receipt of the amounts stated in the questionnaire annex. We were therefore able to reconcile all grants stated in SDGI's submitted annex to payment records and accounts stating the total value of each grant.

Loans

SDGI provided all requested documents to verify the total value of each loan, including repayments of the principal, interest payments during the POI, and the terms agreed for each loan. We found no material differences between these documents and the values provided in SDGI's submitted annex on loans.

Preferential tax programmes

The TRA verified all preferential tax programmes SDGI claimed to benefit from during the POI. We compared SDGI's annual tax statement for 2021 with the submitted annex on preferential tax programmes. In all instances we were able to



reconcile the relevant tax programmes between the annual tax statement and the submitted annex with no material differences.

Land use rights

SDGI provided copies of its real estate certificates, contracts, and the land auction announcement. We were able to reconcile all details to these documents except for the date of approval, for which we received a satisfactory explanation for the variance.

None of the subsidies that SDGI benefited from were attributable to a specific good or specifically to export or domestic sale.

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

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

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 that we have been provided by SDGI 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 calculations or any other relevant use during the investigation.

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

Conclusion

The TRA is satisfied that the company and product information we examined can be verified to source documentation and therefore have reasonable assurance that it is complete, relevant, and accurate during the POI.

With regard to cost and sales data, we have been able to reconcile the submitted questionnaire response to SDGI's published financial statements and management



accounts. We also received satisfactory responses to the sampling of transactional data.

We have reasonable assurance that all fair comparison adjustments SDGI have made to its data are necessary and reasonable. We also compared the subsidy information provided with source documentation and have reasonable assurance that the information is accurate and relevant.

In summary, we have obtained sufficient evidence to conclude that the information we have sampled is verifiable. We therefore have a reasonable level of assurance that the information submitted by SDGI is complete, relevant, and sufficiently accurate for the purpose of this investigation.



Annexes

Annex 1: Meetings

Date and duration	Type of authentication	Company representatives	TRA representatives
Thursday 13 th October 2022, 9:00 – 12:00 GMT	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	<i>Redacted: contains personal data of participants.</i>	<i>[Redacted – Contains personal information about meeting participants]</i>
Thursday 12 th – Friday 13 th January 2023, 07:30 – 11:30 GMT	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	<i>Redacted: contains personal data of participants.</i>	<i>[Redacted – Contains personal information about meeting participants]</i>