



**Australian Government**  
**Anti-Dumping Commission**

# **PUBLIC RECORD**

**CERTAIN ALUMINIUM EXTRUSIONS  
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

**ACCELERATED REVIEW VISIT REPORT  
GUANGDONG JINXIECHENG AL. MANUFACTURING CO., LTD**

**THIS REPORT AND RECOMMENDATIONS CONTAINED THEREIN WILL BE  
REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE  
COMMISSION'S FINAL POSITION**

**August 2013**

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## 2 BACKGROUND

### 2.1 Introduction

Current measures applying to aluminium extrusions the goods commenced in August 2011.

Guangdong Jinxiecheng Al. Manufacturing Co., Ltd. (Guangdong Jinxiecheng) is a new exporter of aluminium extrusions exported from China. It applied for an accelerated review of these current measures under the provisions of Division 6 of the Customs Act. This provision allows for an early review of a dumping or countervailing duty notice if the exporter is a new exporter.

The Anti-Dumping Commission placed a copy of the application on the public record together with its consideration of the application (Consideration Report Number 214). The review commenced on 13 June 2013 as announced in Anti-Dumping Notice No 2013/57.

The due date for reporting to the Minister is 23 September 2013.

In its initiation notice the Commission advised that it would not:

- reassess the finding of whether or not a market situation exists such that sales in that market are not suitable for use in determining normal value as specified in Trade Measures Branch Report No. 148, Appendix 2, section 4.3;
- reassess the countervailable subsidies other than those already subject to the countervailing duty notice as specified in Trade Measures Report No. 148, section 7.2;
- reconsider whether or not London Metal Exchange (LME) prices are indicative of what would be competitive market costs for primary aluminium, as specified in Trade Measures Report 148, section 6.1.3.

The period the review examined was from June 2012 to May 2013.

### 2.2 Purpose of visit

The purpose of the visit was to verify information contained in the exporter questionnaire response submitted by Guangdong Jinxiecheng when it applied for the accelerated review.

The application contained all details required in an exporter questionnaire: background of the company, details of exports to Australia, domestic sales, normal values and cost of production. Included were detailed spread sheet attachments listing all of the required information.

We advised Guangdong Jinxiecheng that verified information is required to make recommendations concerning its own circumstances. That is:

- normal values;
- export prices;

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- dumping margins
- like goods;
- exporter and importer;

We advised Guangdong Jinxiecheng it was our view that even if no dumping had been determined exemption from a measure is not a likely outcome. Rather, we advised that it was our understanding that the Commission would implement a measure reflecting Guangdong Jinxiecheng's normal values.

## 2.3 On site visit – location, dates and persons present

The interview took place at:

Hengang Industrial Area  
Dali Street, Nanhai District  
Foshan City  
Guangdong Province  
THE PEOPLE'S REPUBLIC OF CHINA

Telephone: 0011 86 757 8550 2066

Fax: 0011 86 757 8550 5935

Email: xc@jinxiecheng.com

The following were present:

Dates:	28, 29 August 2013
Guangdong Jinxiecheng	Ms Pan Qiuhong – Manager Ben Ng – Deputy Manager
Dacheng Law Offices, Beijing	Chen Hong – CPA & Attorney-at- Law He Guodong – Attorney-at-Law
Customs and Border Protection	Carl Halpin, Customs Supervisor, Operations Bill Walsh, Customs Manager, Policy

Various other personnel of Guangdong Jinxiecheng were present to respond to specific queries related in particular accounting personnel.

## 2.4 Cooperation and confidentiality

We advised Guangdong Jinxiecheng:

- A report is due to the Minister by 23 September 2013
- The legislative provisions do not allow any duty to be collected if there are any goods entered for home consumption after application date and completion of the review but securities could be imposed

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Guangdong Jinxiecheng cooperated with the verification. It had provided a completed exporter questionnaire when first making the application and it had fully prepared for the visit by having available all supporting worksheets and other information we had asked it have available at verification. Prompt responses were provided to our requests for information.

We advised that:

- the visit report would be subject to review within the Commission
- that we will prepare a report of the visit and give it a draft to review for accuracy; and to indicate which parts of the report were confidential.

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## 3 COMPANY INFORMATION

Guangdong Jinxiecheng was established in 1998.

In 2003 the three shareholders established a holding company Jinxiecheng Al Manufacturing Company – which owns 100% of Guangdong Jinxiecheng.

The principals hold 1/3 each of the shares in the holding company, which is located in Samoa, South Africa, in order to benefit from the lower corporate taxes there.

A copy of the Certificate of Incorporation was provided for JinxieCheng Aluminium showing the incorporation date of 24 September 2003 – recognising it as an international company under the International Companies Act 1987. Commission copy of the certificate of approval for the establishment of enterprises with foreign investment was also provided for the company. These documents reflect the change in company structure that occurred in 2003.

Guangdong Jinxiecheng has several production lines with differing production capacities. Details are in the table below:

Line Name	Number of lines	Production Capacity of each line
████	█	█ tonnes per day
████	█	█ tonnes per day
████	█	█ tonnes per day
████	█	█ tonnes per day
<i>Total</i>	█	████ tonnes per annum

There are 4 workshops – casting, extrusion, oxidation, and powder coating. Guangdong Jinxiecheng provided a production flow chart for each workshop.

### Associations with other aluminium exporters from China

We asked if Guangdong Jinxiecheng had any association with other aluminium exporters in China and it stated that it did not. It stated that the 3 owners had established the company in 1998, as noted above, and that the owners have had no involvement with any other aluminium extrusion producers. Each of the 3 owners signed a statement to that effect.

The notes from the auditor also set out the company details:

“1 Company History and Basic Structure of Organization

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This company has obtained the Business License of Enterprise Legal Person with the registration number of Qiduyuenanzong 001617 from the Administration of Industry and Commerce of Nanhai district, Foshan City, Guangdong province in April 30, 1998. The legal representative of this company is Zeng Cheng, Wu.

2 The registered capital of the Company RMB [REDACTED]

3 Business scope of the Company mainly includes the manufacture, production, processing and selling of aluminum Profile, bronze profile and stainless steel profile to both domestic and overseas market.

4 Company address: Henggang industrial section, Dali street, Nanhai District, Foshan City, Guangdong Province”.



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## 4 GOODS UNDER CONSIDERATION AND LIKE GOODS

### 4.1 The goods

The goods subject to the current measures were described in the initiation notice and reproduced below:

*Aluminium extrusions produced via an extrusion process, of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents), with the finish being as extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5 mm., with a maximum weight per metre of 27 kilograms and a profile or cross-section which fits within a circle having a diameter of 421 mm.*

The goods include aluminium extrusion products that have been further processed or fabricated to a limited extent, after aluminium has been extruded through a die. For example, aluminium extrusion products that have been painted, anodised, or otherwise coated, or worked (e.g. precision cut, machined, punched or drilled) fall within the scope of the goods.

The goods do not extend to intermediate or finished products that are processed or fabricated to such an extent that they no longer possess the nature and physical characteristics of an aluminium extrusion, but have become a different product.

The goods may be classified to subheadings 7604.10.00 (statistical code 6), 7604.21.00 (statistical codes 7 and 8), 7604.29.00 (statistical codes 9 and 10), 7608.10.00 (statistical code 9), 7608.20.00 (statistical code 10), 7610.10.00 (statistical code 12) and 7610.90.00 (statistical code 13) in Schedule 3 of the *Customs Tariff Act 1995*.

### 4.2 Like goods

Subsection 269T(1) defines like goods:

*Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

Guangdong Jinxicheng only produces extrusions as described above. It does not produce other types of goods that are not covered by the above goods description.

### 4.3 The company's products

Guangdong Jinxicheng manufactures a wide range of aluminium extrusions. We asked for and were provided with a product catalogue which provides a detailed description of its production range.

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Guangdong Jinxiecheng records details of sales for the product groups anode oxidation; electrophoresis coating; mill finished; and powder coated. The small quantity of goods that had been exported was [REDACTED]. These [REDACTED] shapes were made from the same dies that made goods sold on the domestic market. That is, the particular shapes of [REDACTED] exported had identical types on the home market.

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## 5 SALES TO AUSTRALIA

### 5.1 General

Guangdong Jinxiecheng explained that while it had only made [REDACTED] shipment to Australia, it wished to develop its sales to this market. It considered that the sales to Australia would be more profitable than sales in China. In addition, it expected the product profiles were likely to be identical between the markets, facilitating its export sales.

We noted that there was no minimum quantity of exports to Australia required for a company to request an accelerated review. In fact, the Commission's dumping manual states that:

"The Commission does not require an applicant for an accelerated review to have already exported some minimum quantity of the goods to Australia. Article 9.5 of the ADA contains two conditions: that the exporter did not export the goods during the investigation period; and that it is not related to an exporter already subject to the duty. In the circumstances where there have been no exportations, any accelerated review will assess the normal value for the goods. If there have been any exportations by the applicant exporter those exports will also be examined.

Normal value and export price for the new exporter will be established under the relevant provisions of ss 269TAC and 269TAB of the Act".

### 5.2 Export sales details

Guangdong Jinxiecheng made [REDACTED] shipment to Australia of mill finishes extrusions. This product was sold [REDACTED] to a trader Foshan Nanhai Trading Co Ltd who then sold the product at [REDACTED] terms to an unrelated distributor [REDACTED].

Guangdong Jinxiecheng supplied the details of its sale to the trader and the details of the sale from the trader to the customer in Australia. We noted that payment was required before delivery and that the shipping terms were [REDACTED]. The company also provided the inland freight and ocean freight costs incurred by the trader which enabled us to calculate an FOB value.

Guangdong Jinxiecheng stated that the price to Australia was higher than on the domestic market price because in China there is strong competition and while the Australian market has been influenced by AD measures. It anticipates its sales will make better profits in Australia than in China.

There was a variety of profiles in the order to Australia of [REDACTED] tonnes; there were two lengths ([REDACTED]); and each profile had a common unit price per kg.

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## Trader's Margin:

	Net Invoice Value received by producer	Net Invoice Value received by trader	Trader's Margin
May 2013	██████ RMB	██████ RMB	███%

We verified the trader's margin to be █████%.

Guangdong Jinxiecheng stated that the exported goods are packaged in the same manner as the domestic sales in plastic wrap. The extrusions are then placed directly into a container without the need for any other packaging.

## 5.3 Export sales verification

### 5.3.1 Completeness

Guangdong Jinxiecheng provided with its EQR exhibit 9 which contained its export sale to Australia; and exhibit 14 which contained all other export sales.

	Quantity (tonnes)	Value (RMB)
Export sales to Australia	██████	██████
Other export sales	██████	██████

We asked Guangdong Jinxiecheng to demonstrate that the export sales were complete having regard to the company's accounts. It provided the income statement for 2012 as well as the general ledger for 2012. We confirmed that the total sales value for 2012 was ████████ RMB, and that these matched the relevant line in the audited income statement for the same period.

The general ledger recognises all sales as domestic sales because the export sales had been made via a trading company in China. Guangdong Jinxiecheng had identified export sales in the general ledger by identifying the names of traders. All other companies were domestic distributors and not trading companies. The company is domestic oriented █████% of its sales volume is in the domestic market.

We checked the total sales quantity for 2012 to the inventory ledger. We checked the sales values and quantities for the review period by subtracting the period for the first five months of 2012 and adding the first five months of 2013. The amounts for these periods were also checked to the general ledger and to the matching income statement.

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We had verified the total quantity of the export sales to Australia. After subtracting Australian sales the balance is sales to third countries for the review period. Details are shown in the table above.

We are satisfied that the total sales volume and value of Guangdong Jinxiecheng recorded in exhibits 9 and 14 for export sales to Australia and other countries are accurate.

### 5.3.2 Accuracy

We had requested Guangdong Jinxiecheng to have available for verification to source documents. Where applicable the:

- Purchase order
- Order confirmation
- Sales contract
- Commercial invoices (from all parties)
- Packing list
- Discount and rebate documents
- Bank statements showing proof of payment
- Freight invoices (ocean and inland)
- Bill of lading
- Associated port, handling, FOB and clearance charges invoice(s)

As noted there had been [REDACTED] export shipment to Australia. All details pertaining to that shipment had been provided including information and document from the trader relating to inland freight, port charges and ocean freight. We checked the source documents to spread sheet details and were able to reconcile the values listed in the EQR.

The documents relating to this shipment are at **confidential attachment EXP1**.

We are satisfied that the export sales volume and value details supplied in the EQR are accurate.

### 5.4 Importer and Exporter

[REDACTED] is the importer in Australia. Guangdong Jinxiecheng is the exporter, selling through a trading company Foshan Nanhai Newtime Trading Co Ltd.

### 5.5 Arms length

The importer was not visited as part of this investigation and Jinxiecheng noted during the verification visit that the sale to the importer was a test shipment to determine if the product was suitable to establish further trading relationships. A factor in determining whether a transaction is arms length is whether the sale has occurred in normal commercial circumstances and if real bargaining has occurred to determine the sale price.

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The visit team concluded that although there was no consideration payable for or in respect of the goods other than their price; or the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price, there was also no evidence of genuine bargaining for the price, nor was the commercial circumstance (a test shipment) reflective of normal commercial sales arrangements.

Thus, we consider that the export sales were not made at arms length.

As the importer was not visited, a deductive export price under s269TAB(2) was not calculated as sufficient information for such a calculation was not available.

### **5.6 Export price**

Based on the information obtained at the visit we consider that export price can be calculated under s269TAB(3).

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## 6 COST TO MAKE & SELL

### 6.1 Introduction

The company advised that its production costs are based on actual, not standard, costs. We were given a tour of the factory and observed extrusions being manufactured, painted, anodised and packaged. During the factory tour it was noted that there were no specific lines or workshops for export goods, with all goods being produced on the same machinery and workshops. The company advised that it did not cost export sales differently to domestic sales as they were the same products.

### 6.2 Verification of cost data

#### 6.2.1 Reconciliation to financial statements

The company provided a completed cost to make and sell spreadsheet for each finish type with its exporter questionnaire response. We matched the figures for cost of goods sold and SG&A expenses to the audited income statement for 2012 (**confidential appendix CTMS1**).

To verify the costs for the investigation period, the company provided us with a cost reconciliation diagram (**confidential appendix CTMS2**) which linked the CTMS spread sheets found in Appendix A-5 to an income statement prepared for the period of review. The income statement for the period of review was linked to the 2012 Audited statement using the following process.

Start: Cost of Goods Sold from Income Statement (Dec 2012)

Less: Jan – May 2012 Cost of Goods Sold from Income Statement (May 2012)

Plus: Jan – May 2013 Cost of Goods Sold from Income Statement (May 2013)

Equals: Total Cost of goods sold for period of review.

Through the cost reconciliation diagram we were able to verify the total cost of goods sold upwards for each finish to the 2012 income statement. We are satisfied that the cost to make and sell spread sheets for each finish are complete and relevant.

#### 6.2.2 Production costs

##### 6.2.2.1 Production volume

The company explained that once goods were produced they are transferred from production to a finished goods inventory ledger. We were able to verify the production volumes shown in the cost to make and sell spreadsheet with the volumes in the finished goods inventory ledger.

The company also provided us with:

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- Production cost registers for each month in the period of investigation (**confidential attachment CTMS3**); and
- A cost allocation workbook for July 2012 outlining the production process from casting of billet through to final finished goods.

We were able to confirm that the production volumes presented in the cost to make and sell spreadsheet were complete and accurate using the materials provided during verification.

### 6.2.2.2 Cost to make

The company provided us with a reconciliation of the total operating costs from the audited statements for 2012, to the cost to manufacture in the investigation period (**confidential appendix CTMS2**). A summary of the calculation is as follows:

	Finished Goods for year 2012
Less:	Opening Balance Finished Goods Inventory January to May 2012
Plus:	Opening Balance Finished Goods Inventory Jan to May 2013
Less:	Goods transferred to external processing.
Equals:	Finished Products May 2012 to May 2013

The company provided supporting documentation including inventory ledgers and voucher entries for each of the amounts referred to above in the cost completeness diagram packaged, which we matched to the amounts in the calculation of the cost to manufacture during the investigation period.

The cost diagram demonstrated the flow of costs throughout production from billet casting through to the various finishes with costs allocated according to the volume of goods produced. We were able to reconcile the amounts between each stage of production to the cost to make and sell spreadsheets and upwards to the income statements.

### 6.2.2.3 Aluminium costs

We observed from the CTMS spreadsheet provided with the company's questionnaire that the cost of aluminium comprised around ■% of the total cost to make.

In order to verify the cost of aluminium, we used the July 2012 cost reconciliation workbook as an example. The workbook contains detailed production records for the casting plant and the value of aluminium transferred in each month, and the quantity and cost of items transferred out as either finished goods or to another workshop (for example, anodising or powder coating).



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## Billet Production

We asked the company to explain the records shown for the billet production line for July 2012. The raw material ledger showed ■ purchases of aluminium bar during that month with the balance of those purchases being transferred to billet casting. The value transferred from the raw materials ledger reconciled to the amount shown in the cost reconciliation worksheet. We then requested invoices for each of the transactions listed on the raw materials ledger which the company provided. We were able to reconcile each purchase of aluminium bar downwards to each invoice and proof of payment was also provided for a selection of those invoices as requested during verification. These documents are located at **confidential attachment CTMS 4**.

We asked the company to provide a detailed list of all ingot purchases for the investigation period in its exporter questionnaire response (**confidential appendix CTMS5**). We matched the purchases from this document to the purchases in the ingot ledger for the investigation period and the invoices collected during the visit.

The ingot transferred into production is valued at ■. We observed the calculation of this amount in the ingot ledger by reference to purchases and usage throughout the investigation period.

We are satisfied that the cost of aluminium included all costs, landed into store for aluminium purchases. We found no evidence that any premiums had been paid in addition to any costs of aluminium. We are satisfied that the CTMS contains accurate data relating to the cost of aluminium purchases.

## Scrap

The company provided costing for scrap produced at each stage of the production process which we verified to the scrap inventory ledger. Approximately ■ of the total cost of production as attributed to scrap. This ledger showed the value of the scrap produced, valued at ■RMB / kg produced and the amount consumed in the production process of billet. The value of scrap was linked back to the CTMS spread sheets for each finish. We are satisfied that the cost of scrap included in the calculations of CTMS are representative of the value of the scrap consumed.

### **6.2.2.4 Overheads**

The main overheads recorded in the monthly Cost Workbook include auxiliary materials, energy (fuel, water and electricity), direct labour and manufacturing overheads. The company advised that these costs are allocated to each workshop based on the actual costs of that workshop.

All costs under each overhead category reflect the actual cost attributed to that level of production and were sourced from the production cost ledgers for each area of manufacturing. Costs were allocated along each production line, with each stage of production having its own production cost ledger, which was the starting point for verification of these overheads.

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The company advised that there are other expenses that are attributed to each area of manufacturing, such as depreciation of plant and machinery which was included in the Manufacturing overhead expenses.

To verify the overhead expenses, we matched the categories of overheads from the monthly Cost Workbook for July 2012 to their respective monthly summaries and downwards to the production cost ledger.

### **Direct Labour**

To verify the labour costs we selected the extrusions workshop direct labour costs for July 2012. The company explained that the labour cost was related to staff allocation to that production workshop. The company provided a copy of the production cost ledger for the extrusion plant for July 2012, from which we matched the total direct labour cost to that which was included in the CTMS spread sheet. The company then provided the accounting voucher which also reconciled to the entry in the ledger. We are satisfied that the direct labour costs associated with the production costs are accurate.

### **Auxiliary Materials**

The company explained that auxiliary materials included other materials such as magnesium that is used in the casting process and other lower cost items that were used in the production of aluminium extrusions including die costs. The company provided the magnesium raw materials inventory ledger for casting which was verified upwards to the CTMS via the auxiliary materials ledger. We requested invoices for the purchases listed on the ledger which allowed us to reconcile the purchases of magnesium downwards.

We are satisfied that the auxiliary materials amounts represented in the CTMS spreadsheet reflect the actual costs of production.

### **Energy, Water and Fuel**

Energy, water and fuel represented approximately █% of the total production cost for aluminium extrusions across the various finishes. We requested copies of the ledgers for each of water, fuel and electricity for the July 2012 and reconciled the totals of each to the total energy, water and fuel costs. We requested electricity invoices and proof of payment for the electricity consumption which was also provided. We are satisfied that the energy costs presented in the CTMS spread sheets reflect the costs incurred during each stage of production.

### **6.2.3 SG&A expenses**

The company allocated Selling, General and Administrative (SG&A) expenses across the period based on the sales value of each of the different finishes. A SG&A reconciliation workbook was provided (confidential attachment CTMS5) which we were able to reconcile upwards to the incomes statement and downwards to the individual ledgers for each sub category of SG&A expenses. We selected interest expenses and depreciation as areas for further downwards verification.

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## Depreciation

The company provided a copy of an asset register that listed the purchase price, months remaining and current value for each item. The total depreciation amount for the month was also provided which reconciled to the amount shown in the administrative expenses ledger.

## Finance Expenses

In January 2013 we noted a financial expense which the company attributed to interest on a loan that the company had taken out, however we also noted in September 2012 a negative expense was listed as interest. The company explained that this was the result of interest gained [REDACTED]. The company provided copies of bank vouchers that reconciled the interest gained and paid during the period. We are satisfied that the interest amounts represented in the financial expenses are accurate.

### **6.2.4 Conclusion**

We are satisfied that the costs submitted by the company in the cost to make and sell spread sheets, represent the actual costs to make and sell the various types of aluminium extrusions during the investigation period.

### **6.3 Cost to make and sell – summary**

We are satisfied that sufficient information was available and verified to substantiate the cost to make and sell the goods on the domestic market. We consider these costs to make and sell are suitable for:

- determining a constructed normal value; and
- assessing ordinary course of trade of domestic sales (not withstanding the finding at section 11 of this report).

The cost to make and sell the various products on the domestic market are at **confidential appendix 2**.

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## 7 DOMESTIC SALES

### 7.1 General

#### 7.1.1 Domestic market

The true domestic sales (that is, sales excluding those sales to trading companies in China and destined for export) are to domestic distributors of extrusions.

Guangdong Jinxiecheng stated that all domestic sales are at arms length. There are no related customers. All domestic sales are also ex works.

[CONFIDENTIAL TABLE REMOVED]

Most distributors are long term customers. Guangdong Jinxiecheng said there was a high level of competition with other extrusion producing companies in its region.

#### 7.1.2 Pricing and sales process

Prices are not made in strict accordance with a price list. Guangdong Jinxiecheng uses a 'price list' which serves as a reference point only. The 'price list' is in fact a set of 'processing charges' which also includes profit. These processing charges are additions to the base metal cost.

The processing charges were fixed for the 2013 period to date and a different set of processing charges applied in 2012. We obtained a copy of the processing charges for 2013 at **Confidential Attachment DOM1**.

The processing charge varies according to whether the extrusion is for windows or for walls. It also varies according to the 4 model types – the lowest charge applies to mill finish. Some variation occurs if the order is for a different metal type or temper; and for added thicknesses. The base pricing guide is for 6063 alloy and T5 temper.

The company receives daily pricing information for aluminium. The daily aluminium price coupled with the processing charge forms the reference point for price setting. The metal pricing information that Guangdong Jinxiecheng receives daily is also at **Confidential Attachment DOM1**. While this is the basis of its pricing, actual prices can vary according following negotiation with customers.

Guangdong Jinxiecheng explained that because its competitors follow a similar pricing process resulting in similar prices, quality standards, service, and good relationships with customers is very important. Volume is not a significant factor in price setting  
[REDACTED]

As with export sales, domestic sales are wrapped in plastic. They are then delivered by truck.

There are several payment terms including payment [REDACTED]; payment [REDACTED], and payment [REDACTED]. Because of the

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differing terms we accepted an estimate of average credit days using the aggregate analysis by means of the average accounts receivable turnover ratio.

Total revenue in period	██████████
Beginning balance accounts receivable	██████████
Ending balance accounts receivable	██████████
Average accounts receivable	██████████
Accounts receivable turnover ratio	██████
Average credit days	365/██████████

### 7.2 Domestic sales verification

#### 7.2.1 Completeness

Guangdong Jinxicheng exhibit 12 showed a detailed listing of all required details for domestic sales. The total quantity and value of domestic sales is shown in the table above.

We checked the total sales for the financial period 2012 to the audited income statement and the general ledger for 2012. We confirmed that the total sales value for 2012 was ██████████ rmb. We also checked the total sales quantity for 2012 to the inventory ledger.

We next confirmed the aggregate quantity and sales value for the period of review period June 2012 to May 2013.

For the total sales value we confirmed that when subtracting the period January - May 2012, and adding the period January to May 2013 total sales value is ██████████ rmb.

For the total sales quantity we confirmed from the total volume of sales in 2012 was ██████████ tonnes. The volume of sales in the review period was, as in the case of values, confirmed to be ██████████ tonnes by subtracting the volume from the inventory ledger for the period January - May 2012, and adding the volume from the inventory ledger for the period January to May 2013. In addition a small volume of only ████████ tonnes had to be accounted for as it was not recorded in the inventory.

We obtained a listing of all sales in the general sales ledger for the review period. We asked Guangdong Jinxicheng to download the information in its general sales ledger to a spreadsheet.

We noted how Guangdong Jinxicheng had identified those relatively few sales which had been made to trading companies who had purchased the goods for export. These traders were identified in the sales listing. We noted which trader was associated with sales to third countries and which trader had been involved in the

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sales to Australia. All other customers not being traders are domestic customers buying the goods for consumption in the domestic market.

Having confirmed the total sales value and quantity for the review period, we were satisfied after accounting for known export sales that the domestic sales aggregates matched the totals that had been shown in the detailed domestic sales listing at exhibit 12.

### 7.2.2 Accuracy

As part of verifying accuracy of the domestic sales listed in exhibit 12 we asked Guangdong Jinxiecheng to provide all documents including (where applicable):

- Purchase order
- Order confirmation
- Sales contract
- Commercial invoice
- Packing list
- Discount and rebate documents
- Bank statements showing proof of payment
- Inland freight invoices

These source documents were obtained for the following invoices

[REDACTED]

We checked each of these selected transactions to the domestic sales listing and found they matched the data supplied in every respect.

We are satisfied that the domestic sales volume and value in exhibit 12 are accurate.

The sales documents form **confidential attachment DOM2**.

### 7.3 Arms length transactions

All of Guangdong Jinxiecheng domestic sales are to unrelated companies. We found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We consider the domestic sales of aluminium extrusions by Guangdong Jinxiecheng were arm's length transactions.

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## 7.4 Ordinary course of trade

We compared the unit net price paid for each domestic sale by model to the fully absorbed CTMS for the relevant period.

The quantity of profitable sales by model and total quantity of sales are shown in table 1 below

TABLE 1

[CONFIDENTIAL TABLE REMOVED]

The percentage of profitable and unprofitable sales by model is shown in table 2 below.

TABLE 2

[CONFIDENTIAL TABLE REMOVED]

Under the ordinary course of trade rules where unprofitable sales exceed 20% of the total sales volume only profitable and recoverable sales may be used for normal value purposes.

The recoverable sales are those sales which although they may have been sold at a loss at the time of sale (ie the unit sales price is unprofitable when compared to the matching period CTMS) these sales are profitable when that sales price is compared to the weighted average CTMS for that same model for the period of review.

Where the unprofitable sales are less than 20% of the total sales volume then all sales must be used.

Ordinary course of trade test calculations are at **confidential appendix 3**.

## 7.5 Volume and suitability of domestic sales

Domestic sales volume is ■% of total sales volume by Guangdong Jinxi Cheng. Domestic sales occur in representative quantities for all models under review.

## 7.6 Domestic sales - summary

From the above OCOT outcomes we have adopted the following treatment of domestic sales by model:

[CONFIDENTIAL TABLE REMOVED]

In determining normal value the only model where all sales will be used is the model EC. For the other models only profitable and recoverable sales will be used for normal value purposes. The details are summarised below.

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[CONFIDENTIAL TABLE REMOVED]

Domestic sales and prices are summarised at **confidential appendix 3**.



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### 8 THIRD COUNTRY SALES

As we considered that we were in possession of enough verified information from the submission and our visit to calculate normal values using domestic sales.

Sales to third countries are not required for normal values.

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## 9 ADJUSTMENTS

To work out a normal value on the same terms and conditions as the export sale to Australia required the following adjustments.

### 9.1 Inland freight

All domestic sales by Guangdong Jinxiecheng are EXW. To bring the domestic sales value to FOB delivered an *upward* adjustments is needed. This amount derives from the known export inland freight paid by the trader (which included all other FOB charges) which is [REDACTED] rmb/kg.

### 9.2 Credit terms

The export sales were made on what is effectively cash terms. Domestic sales have some credit terms and a *downward* adjustment is required.

This was calculated using the average credit days and the annual interest [REDACTED]% which was supported by documentation provided by Guangdong Jinxiecheng.

### 9.3 Trader Margin

In the export sales section of this report we provided details about the trader margin which we calculated to be [REDACTED]%.

We explained to Guangdong Jinxiecheng that although the domestic sales are to distributors as was the case with the export sale, there is a level of trade difference arising from the fact the domestic sales are direct from Guangdong Jinxiecheng to customers whereas the export sale was not made directly. Export sales have the effect of the trader margin.

To bring the sales to the same terms and conditions we have *added* an upward adjustment of [REDACTED]% being the trader margin.

Were Guangdong Jinxiecheng to begin to export directly to Australia and without the involvement of a trader it may be necessary to re-examine the treatment of a trader margin in normal value determination.

### 9.4 VAT

The net invoice value in the domestic sales spreadsheet did not include VAT. Documents show that the VAT rate on domestic sales of these goods is 17%.

For export sales the sale to the trader incurs a VAT of 17% as it is treated like a domestic sale. On export, the trader receives a rebate of 13%. Documents were provided to demonstrate this.

As such, we treat the export sale as having incurred a net VAT liability of 4%. On this basis, to put the domestic sale on the same footing as the export sale so far as VAT is concerned, we have *added* a VAT adjustment of 4%.

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## 9.5 Other adjustments

As explained in the report no adjustment is required for packaging associated with domestic and export sales. Packaging was identical.

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### 10 NORMAL VALUE

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values under s. 269TAC(1).

We have made adjustments to the normal value under s. 269TAC(8) for inland freight, credit terms, trader margin and VAT difference.

We calculated normal values using sales in the domestic market that were arms length transactions and sold at prices that were in the ordinary course of trade.

Normal value calculations are at **confidential appendix 4**.

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### 11 DUMPING MARGINS

We calculated a preliminary dumping margin of negative ■■■%.

Calculation of the dumping margin is at **confidential appendix 5**.

The normal values and preliminary dumping margin that we have determined may be revised the Commission's assessment and findings on whether the Government of China had materially distorted competitive conditions on the domestic market. In that case, domestic sales may be considered unsuitable for determining normal values under s.269TAC(1), and/or certain costs may be considered to not reasonably reflect competitive market costs associated with the production of like goods for the purposes of constructing a normal value under s.269TAC(2)(c).

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## 12 COUNTERVAILING

In its exporter questionnaire response the company stated that it did not receive any benefits that were outlined during the original investigation and also stated that some of the programs that were originally investigated are no longer operating nor would they be available to the company.

During the verification visit we examined financial data to determine if any grants or subsidies had been paid during the income tax years of 2009-2012. We were unable to find positive evidence to suggest any grants or subsidies were granted to the company during the review period, or in the 3 years prior to that period.

### 12.1 Preferential tax rates

In its questionnaire response the company stated that since 2008, it had not received any preferential Tax Policies for Enterprises with Foreign Investment. The company provided a copy of its tax returns for years 2009-2012 which showed that tax was levied at the rate of 25%.

### 12.2 Purchase of aluminium ingot at less than fair value

We asked the company to provide a detailed list of all its purchases of ingot during the investigation period. The list provides the identity of the supplier, which the company advised are all traders rather than producers of the ingot. As discussed earlier in the report, we were provided with copies of invoices for several purchases of aluminium.

The company advised that although traders were used for the purchase of aluminium all aluminium purchases were made from local mills and that none of the traders or mills were SOE's.