SUPPLEMENTARY EXPORTER QUESTIONNAIRE

GRINDING BALLS Exported FROM THE PEOPLE'S REPUBLIC OF CHINA

Period of Investigation: 1 OCTOBER 2014 – 30 SEPTEMBER 2015

Response due by: 27 JANUARY 2016

Extended to 3 February 2016

Important note: The Commissioner will reject all requests for a longer period to provide a response to this exporter questionnaire received after this date. Extensions requested before this date will only be agreed to where necessary and reasonable.

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Anti-Dumping Commission website: www.adcommission.gov.au

RETURN OF QUESTIONNAIRE DETAILS

Preferably by email to: operations3@adcommission.gov.au

Or by mail (CD-ROM or USB): Attention: Director Operations 3 Anti-Dumping Commission GPO Box 1632 Melbourne VIC 3001 Australia

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NEW PROGRAMS BEING INVESTIGATED

The following programs will be further investigated by the Commission:

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Please answer the questions below in relation to the programs listed above.

**A-1 PROVISION OF RAW MATERIALS AT LESS THAN ADEQUATE REMUNERATION**

**Programs 32 and 33**

The applicant claims that public bodies (in the form of state-invested enterprises (SIEs)) are supplying coking coal and coke directly or indirectly, to manufacturers of grinding balls at less than adequate remuneration.

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Longte denies that public bodies, allegedly in the form of State-invested enterprises, have supplied or are supplying coking coal and coke directly or indirectly to Longte at less than adequate remuneration. The applicant’s claim is legally flawed and factually incorrect.

Longte’s response to these and other questions in this regard are without prejudice to its position on this matter.

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In relation to these programs, provide the following information.

1. Describe the nature of your production process for grinding balls, including an itemised list of all raw materials used by your company in the process.

   [CONFIDENTIAL TEXT DELETED – details of supply of raw materials to Longte by related and unrelated suppliers.]

2. Did your business or any company/entity related to your business receive any benefit under the above programs during the period **1 July 2011 to 30 September 2015**? If yes, provide details.

   No.

3. Does your business purchase any raw materials (e.g. coking coal or coke) in the manufacture of grinding balls?

   Longte does not purchase coking coal or coke in the manufacture of grinding balls. Its parent company Longteng purchased coking coal and coke [CONFIDENTIAL TEXT DELETED – details of supply of raw materials to...]

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Provide responses to Question 4 and Questions 5 – 7 in the tables provided on the “Raw Materials Purchases” tab on the attached “Supplementary Exporter Questionnaire – Grinding Balls”.

4. Provide data on a transaction-by-transaction basis, for all purchases of raw materials during the period 1 July 2014 to 30 September 2015. This data should be provided for all purchases, not only those of Chinese origin (i.e. include imported materials as well). In the list, please be sure to provide a contact name and address, of all your suppliers of raw materials and indicate whether the supplier is a SIE.

Please add more space for additional suppliers and/or categories of product as required.

Longteng has completed the Raw Materials Purchases spreadsheet provided by the Commission for the purchase of raw materials during the period 1 July 2014 to 30 September 2015.

Longteng provided the information required in Exhibit H-3.14(1) of its response to the Exporter Questionnaire. Further, given that all of Longteng’s suppliers of coking coal and coke are trading companies, Longteng has obtained further information from its suppliers regarding the identity of the ultimate producer of the coking coal and coke. This information has now been included in the Raw Material Purchases spreadsheet.

As stated above, [CONFIDENTIAL TEXT DELETED – details of supply of raw materials to Longteng by related and unrelated suppliers]

5. Did your business receive any reduction/reduced price for the purchase of these goods/services during the investigation period? If so, describe the eligibility criteria that your business had to meet in order to qualify for any reduction in the price paid for the goods/services.

No. Longteng purchased and continues to purchase all its raw materials in the open market at market-determined prices.

6. Provide copies of all contractual agreements that detail the obligations of the SIE and your business with reference to the granting and receipt of the assistance/benefits.

Longteng’s purchases of coke and coking coal were made from non-SIE suppliers.

7. If your business purchased imported raw materials, explain the reason/s for your business’ decision to purchase imported over domestic raw materials, including the key factors affecting the decision such as price, availability etc.

So far as Longteng is aware, the coke and coking coal that it purchased from its
A-2 GRANTS

Programs 34 to 43

The applicants allege that the Government of China may be providing grants to enterprises in China including the following programs identified above.

Did your business or any company/entity related to your business receive any benefit under the above programs during the period 1 January 2012 to 30 September 2015?

No

For each program identified answer the following:

As Longte did not receive any benefit under the alleged programs, these questions are not applicable to it.

1. Provide complete details involving the amount of the grant received, including whether the grant was received in a lump sum or multiple instalments.

2. Indicate which goods you produced that benefited from the program (e.g. the program may have benefited all production, or only certain products that have undergone research and development).

3. Describe the application and approval procedures for obtaining a benefit under the program.

4. Where applicable, provide copies of the application form or other documentation used to apply for the program, all attachments and all contractual agreements entered into between your business and the Government of China in relation to the program.

5. Outline the fees charged to, or expenses incurred by your business for purposes of receiving the program.

6. Outline the eligibility criteria your business had to meet in order to receive benefits under this program.

7. State whether your eligibility for the program was conditional on one or more of the following criteria:
   a) whether or not your business exports or has increased its exports;
   b) the use of domestic rather than imported inputs;
   c) the industry to which your business belongs; or
   d) the region in which your business is located.

8. If the benefit was provided in relation to a specific activity or project of your entity,
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please identify the activity and provide supporting documentation.

9. What records does your business keep regarding each of the benefits received under this program? Provide copies of any records kept in relation to the program.

10. Indicate where benefits under this program can be found in your accounting system (i.e., specify the ledgers or journals) and financial statements.

11. To your knowledge, does the program still operate or has it been terminated?

12. If the program has been terminated, please provide details (when, why). When is the last date that your business could apply for or claim benefits under the program? When is the last date that your business could receive benefits under the program?

If the program terminated has been substituted for by another program, identify the program and answer all the questions in A-1 in relation to this programme.

13. Identify the body responsible for administering the grant.

14. Identify the date of approval of the grant and the date the grant was received.

15. Indicate where the grant was accounted for on your business’ financial statements.

PART A-3 EQUITY PROGRAMS

The Commission understands that the Government of China may be providing assistance in the form of equity programs that may constitute countervailable subsidies for Chinese suppliers of grinding balls. These programs are:

Longte is a wholly private owned company. Any of the programs referred to in this Part A-3 relating to equity investment by the Government of China are not applicable to Longte or to any other company within the Longteng group.

Program 43: Debt for equity swaps

According to the applicant, the debt for equity swap was a measure used in the financial restructuring of China’s State-owned steelmakers to State-owned commercial banks (SOCBs). Pursuant to the Regulations on Financial Asset Management Companies (promulgated by decree on 20 November 2000), the State Council established four Asset Management Companies (AMCs) that were directed to purchase certain non-performing loans from SOCBs. The four AMCs were supervised and managed by the People’s Bank of China, China’s Ministry of Finance and the China Securities Regulatory Commission. One of the authorised business activities available for the management of non-performing loans purchased by the AMCs was the debt for equity swap. A debt for equity swap is a transaction in which a creditor, in this case an AMC, forgives some or all of a company’s debt in exchange for equity in the company.

Provide complete replies to the following questions with regard to debt-for-equity transactions concerning your company and any other related company from 1 July 2005 to 30 September 2015.

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1. Describe in detail each transaction with all the steps leading to the debt cancellation in exchange for equity, including the role of all of the government and non-government entities involved in each transaction (e.g. AMCs, SOCBs, steel companies).

Provide answers to Questions 2 – 14 and Question 16 in the tab labelled “Debt-to-equity” in the attached file named “Supplementary Exporter Questionnaire – grinding balls”.

2. On a loan by loan basis, provide the following:

   a. The amount of the outstanding loans due by your company directly or indirectly to the GOC or to SOCBs cancelled and swapped for equity,
   
   b. the terms of the loans and the interest due on the loan,
   
   c. the duration and maturity of the loan,
   
   d. the amount of late interest payments or other arrears on the loan, and
   
   e. the amount of the interest saved.
   
   f. the amount of equity received in exchange by the GOC directly or through controlled corporations such as the AMCs,
   
   g. the number of shares issued,
   
   h. a description of the shares (e.g. common shares, preferred shares),
   
   i. the nominal value of the shares,
   
   j. the company’s debt-to-equity ratio before and after the swap, and
   
   k. the dates of the transactions.

Also, provide the following information for each “swapped” debt:

3. How did your company determine the amount of equity to be issued and the per share price to be paid?

4. Explain how the transaction was reflected in the financial statements and provide underlying evidence.

5. The source of funds to finance these transactions, including the percentage of public vs. private sources.

6. How the proceeds from the debt-for-equity swap were used by your company.

7. Provide the relevant original loan contracts between the steel company and the GOC or SOCBs and any contracts, legal documents, and other relevant correspondence containing details on the debt for equity transaction.

8. Provide documentation relevant to the decision concerning each debt for equity transaction, including in particular all the documents detailing the rationale for the transaction and the underlying financial details, e.g. the relevant rate of return sought by the lender and/or shareholders, the projections of sales and earnings relating to the company operations prior to the debt for equity conversion, etc.
9. Provide internal company documents relating to the debt-for-equity transactions, such as Board of Directors’ approval decisions and minutes, Board of Supervisors’ approval decisions and minutes, Shareholders’ meetings approval decisions and minutes etc.

10. Provide documentation relevant to the decision as to the source of funds to finance your operations, e.g., debt vs. equity financing and private vs. government sources.

11. Explain in detail how was the amount of equity to be issued in exchange for debt determined and the per share price to be paid. If the shares involved in the swap were publicly traded, please provide the relevant prices at the moment of the transaction.

12. Explain the expected commercial rate of return on equity sought by the government and its calculation and provide any study and analysis carried out by independent parties on this issue.

13. Provide a list of all equity investments made by private (i.e. non-government) entities contemporaneous with the government’s investment or debt-to-equity swap, if any. Please provide the dates, the numbers of shares, the amount paid per share for each purchase, and a description of the rights and preferences of the equity interests received by these private entities and how these differ from the rights and preferences of the equity interests received or held by the government.

14. Provide a list of any attempt made by your company to obtain private equity investment and/or agreements involving private equity investments which were then not finalised for whatever reasons. Describe the circumstances of these attempts and/or agreements, and the reasons they were not achieved.

15. Please provide complete, translated audited financial statements for the year of each government equity investment for each of the government entities involved in the transactions, including SOCBs and AMCs. The financial statements should include the complete set of statements, e.g., income statement, balance sheet, statement of change in equity footnotes, and must be accompanied by the auditors’ opinion.

16. Please calculate the following financial ratios for your company for each year in which an equity investment was received and for the preceding three years: current ratio, quick ratio, gross profit, operating profits, net profits, return on equity, debt-to-equity, debt-to-assets, interest/debt coverage, and cash flow to debt.

Program 44: Equity infusions

The applicant alleges that the GOC has provided over the years substantial amounts of cash to steel companies producing/exporting the product under investigation through equity infusions. According to the applicant, the GOC acquired shares in companies in which it was already the main shareholder without acquiring additional shareholder rights.

With regard to equity infusions into your company involving directly or indirectly the GOC and/or SOCBs and/or SOEs, please provide the following information since 2005 until 30 September 2015.

Please provide answers to the following questions in the attachment named “Supplementary Exporter Questionnaire – Grinding Balls” on the tab labelled “Equity infusions”.

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1. For Government Equity infusions, please provide the following information regarding the share issue for the equity infusion:

   (a) the consideration paid,

   (b) the amount of equity received by the GOC,

   (c) the name of the GoC entity receiving the shares (can be directly or through controlled corporations),

   (d) the number of shares issued,

   (e) a description of the shares (e.g. common shares, preferred shares), and

   (f) and the date of each transaction.

2. Provide all documentation relevant to your decision concerning each equity infusion, including documents detailing the rationale for the transactions and all of the underlying financial details, e.g. the relevant rate of return sought by the investor(s), projections of sales and earnings relating to the company operations prior to the equity infusion, etc.

3. Provide details of:

   (a) How did your company determined the amount of equity to be issued and the per share price to be paid?

   (b) How the transaction was reflected in the financial statements and provide underlying evidence?

   (c) The source of funds to finance these transactions, including the percentage of public vs. private sources.

   (d) How the proceeds from the share issued were used by your company?

   (e) If the shares of the company involved were publicly traded, what was the relevant price at the moment of the equity infusion?

   (f) What was the expected commercial rate of return on equity sought by the government entity?

   (g) How did it calculate its expected rate of return? Provide any study and analysis carried out by independent parties.

4. For equity investments made by Government, provide details of private (i.e. non-Government entities) equity investments made contemporaneously with the Government’s equity infusion, including:

   (a) the dates,

   (b) the numbers of shares,

   (c) the amount paid per share for each purchase,

   (d) a description of the rights and preferences of the equity interests received by these private entities,
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(e) how these differ from the rights and preferences of the equity interests received or held by the government, and

(f) a description of the circumstances and of any agreements related to these private equity purchases including the role played by the government or entities controlled or owned by the government in the negotiation and/or fulfilling of said agreements.

Agreements, notes, or other information related to these purchases should be provided.

5. Provide a list of any attempt made by your company to obtain private equity investment and/or agreements involving private equity investments which were then not finalised for whatever reasons. Describe the circumstances of these attempts and/or agreements, and the reasons they were not achieved.

6. Please calculate the following financial ratios for your company for each year in which an equity investment was received and for the preceding three years: current ratio, quick ratio, gross profit, operating profits, net profits, return on equity, debt-to-equity, debt-to-assets, interest/debt coverage, and cash flow to debt.

Program 45: Unpaid dividends

The Commission understands that according to GOC policy, state-owned enterprises including the steel companies producing/exporting the goods under consideration do not have to pay dividends to the government as their owner, even when they earn profits. The applicant claims that unpaid dividends should be considered as a disguised grant or as revenue forgone because the GOC does not collect dividends that are normally paid to private investors on their shares.

Please provide the following information:

1. The relevant provisions on distribution of dividends contained in the legislation, in administrative documents, and in any other official documents.

2. The practice and policy on dividend distributions contained in your company documents, including the by-laws, resolutions of the shareholders or the board of directors, minutes of the meeting, shareholders' agreements etc.

For the following questions, please answer the questions in the “Unpaid dividends” tabs of the workbook “Supplementary Exporter Questionnaire – Grinding Balls”.

3. A list of all dividend distributions to Government entities effected by your company during the investigation period and for the years 2011, 2012, 2013 2014 and 2015, detailing:

   a) the description of the dividend transactions,

   b) the date of the dividend transactions

   c) a description of the various categories of shares involved (e.g. common shares, preference shares, special classes of shares etc.)

   d) the specific rights attached to the shares,

   e) the amount distributed as dividends per each category of share.
f) the per-share dividend paid out for each category of share,

g) the number and class of shares held by the government,

h) the percentage of profits distributed per each class of share to the GOC, and

i) any taxes paid or payable on these dividend distributions.

4. Provide a copy of the relevant resolutions adopted by the shareholders’ meeting or the board of directors deliberating the relevant dividend distribution.

5. A list of any dividend distributions effected by your company to private shareholders during the investigation period and for the years 2011, 2012, 2013, 2014 and 2015, detailing:

   a) the amounts distributed as dividends,

   b) the number of shares held by private investors,

   c) a description of the shares and of their attached rights (e.g. common shares, preferred shares) giving rise to the dividend distributions,

   d) the percentage of profits distributed per each class of share to the private investors, and

   e) the dividend per share distributed per each class of share.

6. What was the amount of profits available for dividend distribution by your company for the years 2011, 2012, 2013, 2014 and 2015?

7. What was the amount of retained earnings since the year 2005 available for distribution to shareholders of the different classes of shares?

8. A list of investments in fixed assets affected since the year 2005 financed out of retained earnings or other profits otherwise available for distribution to shareholders in previous years used to finance these investments. (Please format as necessary).

9. All internal company documents relevant to your decision as to the source of funds to finance your operations, e.g., debt vs. equity financing and private vs. government sources.

10. A detailed description of the accounting treatment and the company policy concerning dividend distributions, retained earnings, and use of the proceeds otherwise available for dividend distribution. Please attach relevant underlying financial statements and records and other relevant evidence.

PART A-4 PREFERENTIAL LOANS AND INTEREST RATES

It is our understanding that certain enterprises in China benefit from low (subsidised) interest rates from state owned commercial banks (SOCB) and government banks in accordance with the GOC policy to support and develop the expansion of the Chinese steel industry.

If your business or any company/entity related to your business received benefits under
any such program during the period 1 July 2010 to 30 September 2015, please answer the following questions.

Longte is a private company. Longte does not benefit from any “GOC policy to support and develop the expansion of the Chinese steel industry”. Longte disagrees that State owned commercial banks are automatically to be considered as “public bodies”.

Longte’s response to these and other questions in this regard are without prejudice to its position on this matter.

1. Provide a general overview of how your company secures necessary financial resources on the financial market (e.g. Loans, issuance of bonds etc.)

Longte secures its financial resources by way of commercial loans from various commercial banks in China. As a private company, Longte negotiated the terms and conditions of the loans with financial institutions, and entered into the loan agreements based on the competitiveness of the loan terms.

Please refer to the spreadsheet Loans for Longte’s responses to the below questions. Please also refer to Exhibit A-4: Loan agreement. As instructed below, for these multiple loans from any particular bank, one sample English translation of the loan agreement is provided.

2. Provide a list of all the loans provided to your company from banks and financial institutions which have not been fully reimbursed by the end of the investigation period.

3. Provide specific details of the loan, including the start date of the loan, the principal amount of the loan, terms and conditions of the loan, purpose of the loan, the repayment terms/frequency, repayment amount, interest rate, interest type (e.g. fixed, variable etc), if the loan has been redrawn any time during its duration, please provide the redraw date, amount redrawn and the reason for redraw.

4. Indicate whether each bank is Chinese or foreign-owned and give the percentage of government ownership of each bank (including ownership by entities owned or controlled by a government).

5. In the case of each loan from government-owned or controlled, please explain the reason for borrowing from such a bank rather than a commercial bank. What are the differences in the terms and conditions of loans between the government and commercial banks?

6. Explain how the decisions to grant the loan or its conditions are dependent on the purpose of the loan and give details on the process your company went through to
apply for the loan. Please provide detail on what conditions or criteria your company needed to fulfill to be granted the loan.

7. For each of the loans listed, provide copies of signed loan agreements between the bank which provided the loan and company which was the addressee of the loan specifying the conditions of the loan such as amount, term of repayment, interest rate etc. Also provide a copy of your application for the loan.

Note: If your company has more than one loan from the same bank/financial institution which were not repaid by the end of the investigation period and the loan agreements for these loans are standardised, it is sufficient at this stage to provide an English translation for one of them only (e.g. If your company has multiple loans from one particular bank which only differ in amounts you only need to translate one of them into English for your questionnaire response. However it is necessary to translate all credit line agreements from which loans not repaid by the end of the investigation period were drawn.

Please also refer to Exhibit A-4: Loan agreement. As instructed by the Commission, for these multiple loans from any particular bank, one sample English translation of the loan agreement is provided.

8. Please explain whether the granting of the specific loan depended on the link between the purpose of the loan and the goals specified in any government plan or development program. Provide a copy of the laws, regulations, administrative guidelines and any other acts relevant for the operation of this lending with any subsequent amendments. Also include a copy of any governmental or development plan of which the scheme represents a direct implementation.

9. For each loan application, please explain the involvement of third parties such as government departments, local councils, party committees in the whole process since the application for the loan up to the decision whether the loan is granted or not.

10. In the “Loans” spreadsheet, provide the information requested on guarantees for the loans provided to your company.

11. Please give details of all loan applications during the investigation period which were refused; give the name of the bank, the amount of the loan requested and the reasons for refusal.

12. Provide any other information you may deem necessary for the commission to make an assessment on the subsidisation of producers/exporters of the product under investigation. You may adjust the table in the “Loans” tab as necessary to include this additional information.
I hereby declare that Changshu Longte Grinding Ball Co., Ltd. did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

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

Name: Chen Jie
Signature: 

Position in Company: Export Manager
Date: 3 February 2016