

PUBLIC RECORD**Exporter Questionnaire****Product: POWER TRANSFORMERS****From:** China, Indonesia, Korea, Taiwan, Thailand and Vietnam**Period of Investigation:** 1 July 2010 – 30 June 2013**Response due by:** **9 September 2013****Investigation case manager:** Chris Vincent**Phone:** +61 2 6275 6729**Fax:** 1300 882 506**E-mail:** Operations1@adcommission.gov.au**Anti-Dumping Commission website:** www.adcommission.gov.au**Return completed
questionnaire to:**Anti-Dumping Commission
Customs House
5 Constitution Avenue
Canberra ACT 2600

Attention: Director Operations 1

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**SECTION A
COMPANY STRUCTURE AND OPERATIONS**

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office:

Name: **Mike Zhong**
Position in the company: **Vice General Manager**
Address: **No. 68, Zhengchang Road, Kunlun Development Zone,
Liyang City, Jiangsu Province, PR China**
Telephone: **86519 87319199**
Facsimile number: **86 519 87319215**
E-mail address of contact person: **ming_zhong@jsHP.com**

Factory:

Address: **No. 68, Zhengchang Road, Kunlun Development Zone,
Liyang City, Jiangsu Province, PR China**
Telephone: **86519 87319199**
Facsimile number: **86 519 87319215**
E-mail address of contact person: **ming_zhong@jsHP.com**

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name: **Wang Jiesan**
Address: **16th Floor, Suite A, China Technology Exchange Building, No.66
North 4th Ring West Road, Haidian District, Beijing**
Telephone: **0086-10-62684688**
Facsimile/Telex number: **0086-10-62684288**
E-mail address of contact person: **wangjiesan@whlaw.cn**

Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

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A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

Answer:

The legal name of the company is Jiangsu Huapeng Transformer Co., Ltd. which is a company and there is no other business name that the company uses to export goods.

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

Answer:

There is only one shareholder of the company, which is Jiangsu Huapeng Group Co., Ltd.

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

Answer:

The company is a subsidiary of Jiangsu Huapeng Group Co.,Ltd, the principal shareholders of that company are: 【 】

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

Answer:

Not applicable.

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

Answer:

【 Please see the Exhibit 1-The Affiliated Companies of the Company】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

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Answer:**Not applicable.**

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

Answer:**The Company is a producer.**

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

Answer:**The Company performs all of the above functions in relation to the goods under consideration.**

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Answer:**Please see the Exhibit-2 The Internal Organisation of the Company. Functions of the Department are as follows:**

- 1) **International Sales Department:**
The International Sales Department deals on exporting products to international market.
- 2) **Financial Department:**
Financial Department coordinates the monthly closing process and produces financial statements in a timely manner. The department manages the flow of information to and from subsidiaries. The department also prepares payments and invoices.
- 3) **Design Department:**
The Design Department is responsible for designing products.
- 4) **Domestic Sales Department:**
The Domestic Sales Department deals on selling products in our country.
- 5) **Production Department:**
Production Department is responsible for manufacturing products.

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- 6) **Supply Department:**
The Supply Department reviews purchase order, making sure the goods are ordered in optimum delivery and the process of ordering running smoothly and participating in the development of specifications for services, equipments, products, supplies or substitute materials. It also forecasts requirements and orders products to meet sales demands.

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

Answer:

Not applicable. There is no annual report or any relevant brochure or pamphlets on the Company's business activities.

A-4 General accounting/administration information

1. Indicate your accounting period.

Answer:

The accounting period of the Company is from 1st Jan. to 31th Dec.

2. Indicate the address where the company's financial records are held.

Answer:

The address where the company's financial records are held is No. 68, Zhengchang Road, Kunlun Development Zone, Liyang City, Jiangsu Province, PR China.

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

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Answer:

[Please see the Exhibit 3-chart of accounts and Exhibit 4-Audit Report of 2011, 2012, Financial Statement of June of 2013]

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4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Answer:

Not applicable.

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

Answer:

Not applicable. Our financial accounting practices are in accordance with accepted accounting principles in China.

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

Answer:

Daily inventory shall be valued by its actual cost, material and finished goods delivery shall be calculated by method of weighted averaging method. The low-value exhaustible articles shall be amortized for once when they are obtained.

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

Answer:

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When the construction in progress reaches the expected condition for use, it should be transferred into fixed assets items in real expenditure. Construction in progress reaching expected status of use but without a final settlement of account, shall be accounted as fixed asset with estimated fixed assets value, and shall adjust the former temporary-estimated value in accordance with actual cost when final settlement of account was made.

The expenditure of production shall be aggregated by cost item and accounting object. Direct expenditure shall be booked into cost of production and indirect expenditure shall be allocated among products by a specific distribution coefficient.

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

Answer:

Damaged or sub-standard goods shall be valued on market prices.

- valuation methods for scrap, by products, or joint products;

Answer:

Scrap, by products and joint products shall be sold on market prices.

- valuation and revaluation methods for fixed assets;

Answer:

Fixed assets are initially measured at actual cost from purchase.

Fixed assets shall be accounted for as the value of the acquisition cost, acquisition cost includes the purchase price, import tariffs, transport and insurance costs, as well as the fixed assets reach the useful state before the necessary expenditure.

- average useful life for each class of production equipment and depreciation method and rate used for each;

Answer:

Asset category	Expected econo life span (year)	Annual Deprecia ratio(%)
House\buildings	20	5%
Mechanical equipment	10	10%
Transport equipm	5	20%
Other equipment	5	20%

- treatment of foreign exchange gains and losses arising from transactions;

Answer:

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Transactions denominated in foreign currencies are translated into RMB by the sight rate on the transaction day. Foreign currency of non-monetary items valued by fair value are translated into RMB on the sight standard rate of the date of fair value recognition, difference from translation directly booked into current income statement as fair value movement.

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

Answer:

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates at sight. Exchange differences arising from these translations are taken to the income statement, with exception that gains/losses related to special foreign currency fund borrowing during fixed assets purchase period are capitalized.

- inclusion of general expenses and/or interest;

Answer:

Loan expenses such as interest and foreign exchange differences from loans for purchasing fixed assets are capitalized and calculated into that asset's cost, at the time when asset expenditure and loan expenses incur and when purchasing or building activities start as a necessity to make that asset reach expected usable condition. Expenses of other loans are accounted into current period's income statement.

- provisions for bad or doubtful debts;

Answer:

Provision for bad debts based on the ending receivables (including trade and other receivables) Balance aging analysis method provided by a certain percentage. Company pursuant to the debtor actual financial condition, cash flows and other bad debts extraction ratio determined as follows (in addition to related parties outside):

Aging	extraction ratio
Within one year	0.5%
One to two years	0.5%
Two to three years	0.5%
Three to four years	0.5%
Four to five years	0.5%
Over five years	0.5%

- expenses for idle equipment and/or plant shut-downs;

Answer:

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Not applicable.

- costs of plant closure;

Answer:**Not applicable.**

- restructuring costs;

Answer:**Not applicable.**

- by-products and scrap materials resulting from your company's production process; and

Answer:**There are no by-products. The scrap materials are steel scrap and copper shavings.**

- effects of inflation on financial statement information.

Answer:**Not applicable.**

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

Answer:**Not applicable.****A-5 Income statement**

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

Answer:**[Please see the Spreadsheet]**

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Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

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Prepare this information on a spreadsheet named "**Income statement**".

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.

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A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

Answer:

【 Please see the Spreadsheet】

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Prepare this information in a spreadsheet named "TURNOVER".

This information will be used to verify the cost allocations to the goods under consideration in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

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We exported the goods to Australia customer directly and there is no commission between us.

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

Answer:

The delivery term of the Company is DDU, the Australia customer retains the ownership when the goods enter Australia.

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

Answer:

Not applicable. There is no such distributor agreement or other contracts.

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are determined through a tender process, supply copies of winning tender bids.

Answer:

Please see Exhibit 5-Flow Chart Exported to Australia.

The export prices are based on order with the client and there is no price lists of the company.

- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

Answer:

Not applicable. The Company is not related to any of its Australian customers.

- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

Answer:

Not applicable.

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Answer:

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Not applicable. The Company has only one client in Australia.

- B-4** Prepare a spreadsheet named "Australian sales" listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period.

Where a contract has been won during the investigation period but the goods are not yet shipped, provide details of these goods with any expenses incurred to date and the scheduled delivery date specified in the contract.

You must provide this list in electronic format. Include the following export related information:

Answer:

[Please see the Spreadsheet]

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** FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

* All of these costs are further explained in section E-1.

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

Answer:

Not applicable.

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B-6 For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

Answer:

Not applicable.

B-7 If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

Answer:

Not applicable.

B-8 If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Answer:

Not applicable.

B-9 For two contracts where the goods were also shipped to Australia during the investigation period, please provide a complete set of all documentation related to the export sale. For example:

- the contract between your company and your Australian customer;
- the commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

Answer:

【 Please see Exhibit 6-Transaction documents related to export Australia】

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**SECTION C
EXPORTED GOODS & LIKE GOODS**

C-1 Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

Answer:

The products the Company exported to Australia are power transformers.

C-2 List each unique unit of goods exported to Australia (these types should cover all types listed in spreadsheet “**Australian sales**” – see section B of this questionnaire).

Answer:

The types of goods exported to Australia of the Company are: []

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C-3 List each unique unit of power transformer sold on the domestic market during the investigation period.

Answer:

【Please see Exhibit 7-Types of domestic sales】

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C-4 Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Answer:

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The Company has no such documents.

Section D
Domestic sales

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

The Commission's preliminary view of normal value:

The Commission considers that it may not be appropriate to determine normal values in accordance with section 269TAC(1) of the Act, using your domestic sales as adjusted for proper comparison with export sales, as the goods under consideration are capital goods that are manufactured to order.

*The Commission seeks information on your domestic sales for the purpose of determining profit so that a normal value can be properly constructed pursuant to section 269TAC (2)(c), using your cost to make and sell plus amounts for selling, general and administrative expenses and profit. If you consider that this is appropriate, **you do not need to complete Section E (fair comparison) of this questionnaire.***

*If you consider that it is appropriate for the Commission to determine normal values pursuant to section 269TAC (1) of the Act, **please ensure you complete Section D, Section E and Section F of this questionnaire.***

Information requested in relation to domestic sales:

In Section B, the Commission requests information in relation to your export sales to Australia. The Commission requested the following:

- *details of all invoiced sales made during the investigation period; and*
- *details of all tenders won during the investigation, regardless of whether the goods were invoiced and delivered outside of the investigation period. In these circumstances, the Commission requested that you provide an estimate of when the goods will be delivered to your Australian customers.*

*In relation to domestic sales, the Commission requests that you provide details of ALL of your invoiced sales during the investigation period. You **do not need** to provide details of tenders that were won during the investigation period but invoiced outside of the investigation period.*

*If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a normal value using alternative methods.

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D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

Answer:

Please see Exhibit 8-Flow Chart in the Domestic Market.

[]

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D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Answer:

[]

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D-3 Explain in detail the sales process, including: the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and whether price includes the cost of delivery to customer.

Answer:

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In general, sales department wins a bid. After inquiring and quoting price, sales department signs a contract with clients. Then the production department makes drawings for approval, gets user confirmation and begins to manufacture it. At last, the company ships it to clients and the client spot-inspect products. And there is no price list of the Company.

If sales are in accordance with price lists, provide copies of the price lists.

- D-4** Prepare a spreadsheet named “**domestic sales**” listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

Answer:

【Please see the Spreadsheet】

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Costs marked with * are explained in section E-2.

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see “other factors”). For example, certain other selling expenses incurred.

Answer:

Not applicable.

- D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

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If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

Answer:

Not applicable.

D-7 Select two domestic sales that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, the tender bid, the contract of sale, commercial invoice, discounts or rebates applicable, credit/debit notes, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

Answer:

【 Please see Exhibit 9-Two transactions documents of domestic sales】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

SECTION E FAIR COMPARISON

As outlined in Section D, please complete Section E only if you would submit that the Commission should determine normal values pursuant to section 269TAC (1).

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.

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E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Answer:

[]

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2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("**Handling, loading & ancillary expenses**"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

- **Answer:**

- **The expense is booked in operating expenses of the general ledger account.**

-

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

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If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days.

See also item 4 in section E-2 below.

Answer:

Not applicable.

4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed '**Packing**'.

Answer:

Not applicable. The packing costs are included in the manufacture costs, the products do not need to pack after it leaves the factory.

5. Commissions

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "**Commissions**". Identify the general ledger account where the expense is located.

Answer:

Not applicable.

6. Warranties, guarantees, installation and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("**Warranty & guarantee expenses**", "**Installation expenses**" and "**Technical assistance & other services**"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are included in the contract for sale or closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Answer:

Not applicable.

7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "**Other factors**". For example, other variable or fixed selling expenses, including salesmen's salaries, salesmen's travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

Answer:

Not applicable.

8. Currency conversions

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In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a 'sustained' movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect 'sustained' movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

Answer :

Please see the exchange rate table which comes from People's Bank of China.

Exchange Rate(RMB-USD)	
Month	Middle Rate
2013-06	6.1718
2013-05	6.197
2013-04	6.2471
2013-03	6.2743
2013-02	6.2842
2013-01	6.2787
2012-12	6.29
2012-11	6.2953
2012-10	6.3144
2012-09	6.3395
2012-08	6.3404
2012-07	6.3235
2012-06	6.3178
2012-05	6.3062
2012-04	6.2966
2012-03	6.3081
2012-02	6.3
2012-01	6.3168
2011-12	6.3281
2011-11	6.3408
2011-10	6.3566
2011-09	6.3833
2011-08	6.409
2011-07	6.4614
2011-06	6.4778
2011-05	6.4988
2011-04	6.5292
2011-03	6.5662
2011-02	6.5831
2011-01	6.6027
2010-12	6.6515

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2010-11	6.6558
2010-10	6.6732
2010-09	6.7462
2010-08	6.7901
2010-07	6.7775
Average	6.4176

E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, “domestic sales”)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

This adjustment recognises that differences, such as structure or design, mean that the goods are not identical. The Commission considers that the goods are unlikely to have identical models sold on the domestic market as they are large capital goods that are produced to order.

To support your claim that the Commission should determine normal values pursuant to section 269TAC (1), you will need to identify and quantify the physical or specification differences in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data.

Using the table below, provide a list of the claimed comparable product sold on the domestic market. Describe in detail the specification differences between the comparable products. Also provide your claimed adjustment on the basis of this specification difference, stating the source of your data.

The Commission will seek to verify your claimed specification adjustments during the verification visit.

Answer:

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This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Answer:

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VAT shall be imposed when the Company purchases inputs to produce the merchandise. Currently, the VAT rate is 17%. VAT refunds are given on exports. The export tax refund rate of the products was 17%. More details on export tax refunds are provided in Exhibit 10-legislation on Export Tax Refund. The total tax refunds=the total exported amount * tax refund rate of the subject product, and it is allocated to the product in accordance with the exported amount.

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: *“Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs”*

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions*: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

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This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

Answer:

For domestic and export sales, the company has only one type of channel, that is, we sell goods to end users directly.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

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Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system¹, the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

The following items are identified in the amounts quantified at question D-4:

Answer:

Not applicable.

5. Transportation

Explain how you have quantified the amount of inland transportation associated with the domestic sales (“**Inland transportation Costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Answer:

¹Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

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The inland transportation cost is booked in accordance with sales revenue, inland transportation cost per unit = (total inland transportation expense / total sales revenue of domestic sales) * revenue of each sale.

The expense is booked in operating expenses of the general ledger account.

6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified (“**Handling, loading and ancillary Expenses**”). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

Answer:

The expense is booked in operating expenses of the general ledger account.

7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed “**Packing**”.

Answer:

Not applicable. The packing costs are included in the manufacture costs, the products do not need to pack once it leaves the factory.

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

Answer:

Not applicable.

9. Warranties, guarantees, installation expenses and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & Guarantee expenses**”, “**Installation expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are included in the contract for sale or closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Answer:

Not applicable.

10. Other factors

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There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

Answer:

Not applicable.

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson’s salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

Answer:

Not applicable.

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Section F

Export sales to countries other than Australia (third country sales)

As outlined in Section D, the Commission considers that, given the nature of the goods under consideration, it may not be appropriate to determine normal values on the basis of domestic sales (pursuant to section 269TAC(1)), or sales to third countries (pursuant to section 269TAC(2)(d)).

Please complete Section F only if you would submit that it is appropriate for the Commission to determine normal values pursuant to section 269TAC(2)(d).

Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Supply this information in spreadsheet file named "Third country"

Answer:**【Please see the spreadsheet】**

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F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.**Answer:****Not applicable.**

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Section G

Costing information and constructed value

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;*
- determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and*
- making certain adjustments to the normal value.*

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

Please provide costs associated to each of the export sales detailed at question B4 and domestic sales details in question D4.

For export sales, this will include costs associated with tenders that may be invoiced or delivered outside of the investigation period. Where these costs have not yet been incurred, please provide an estimate of these costs such as, for example, the cost you estimated at the time of bidding for the tender.

*For domestic sales, you only need to include **actual** costs incurred in relation to goods invoiced during the investigation period.*

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

Answer:

【 Please see Exhibit 11- The Manufacturing Process of the Company 】

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This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

G-2. Provide information about your company's total production in the following table:

* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spreadsheet named "**Production**".

Answer:

【Please see spreadsheet】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

Answer:

Please see Exhibit 12-Flowchart of Cost Accounting System.

2. Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

Answer:

The Company's cost accounting system is based on actual cost.

3. Provide details of any significant or unusual cost variances that occurred during the investigation period.

Answer:

There are no significant or unusual cost variances that occurred during the investigation period.

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4 Describe the profit/cost centres in your company's cost accounting system.

Answer:

The company adopts actual cost and does not have the profit /cost centres.

5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

Answer:

The expenditure of production shall be aggregated by cost item and accounting object. Direct expenditure shall be booked into cost of production and indirect expenditure shall be allocated among products by a specific distribution coefficient.

6 Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

Answer:

The level of product can be specified into power and voltage.

7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

Answer:

Not applicable

8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

Answer:

Not applicable

9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

Answer:

Not applicable

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.²

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each unique unit of the goods invoiced during the investigation period.

Answer:

【Please see spreadsheet】

² The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

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This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

Answer:

【Please see spreadsheet】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

Prepare this information in a spreadsheet named "**Domestic CTMS**".

Provide this information for each unique unit of the goods invoiced during the period of the investigation. For example, if one contract specifies production of two different types of the goods, provide this information for each type of the goods.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Answer:

【Please see spreadsheet】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

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G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

Prepare this information in a spreadsheet named "**Australian CTMS**".

Provide this information for all goods invoiced during the investigation period and for all goods the subject of a contract that was entered into during the investigation period, but invoiced or delivered outside of the investigation period. Where actual costs are not yet incurred, provide an estimate of these costs, such as for example, the estimate of the costs that formed the basis of your winning tender bid.

Provide this information for each unique unit of the goods contracted for sale or invoiced during the period of the investigation. For example, if one contract specifies production of two different types of the goods, provide this information for each type of the goods.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Answer:

【Please see spreadsheet】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

Answer:

The cost of make of the same type product is almost the same between goods sold to the domestic market and those sold for export. However, there are differences in raw materials, selling costs, administration costs, financial costs and delivery expenses. The selling costs, administration costs and financial costs are allocated on the basis of sales value, so the unit costs of selling, administration and financial for export sales are higher than those for domestic sales because the export sale price is higher than domestic sale.

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- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

Answer:

Not applicable.

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

Answer:

Not applicable.

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

Answer:

The major raw material costs which individually account for 10% or more of the total production cost are steel and copper.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Answer:

【】

This is highly sensitive commercial information, which cannot be provided in the non-confidential summary. Disclosure of such confidential information could provide the Company's competitors with insights into the Company's commercial strategy thereby posing a serious threat to the commercial interests of the company. This information has been provided to the Authority in the confidential response.

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

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The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

SECTION H

EXPORTER'S DECLARATION

I hereby declare that. Jiangsu Huapeng Transformer Co., Ltd. (company) 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.

Name : Mike Zhong

Signature : 

Position in Company: Vice General Manager

Date : 9/9/2013



Exhibit-2 The Internal Organisation of the Company

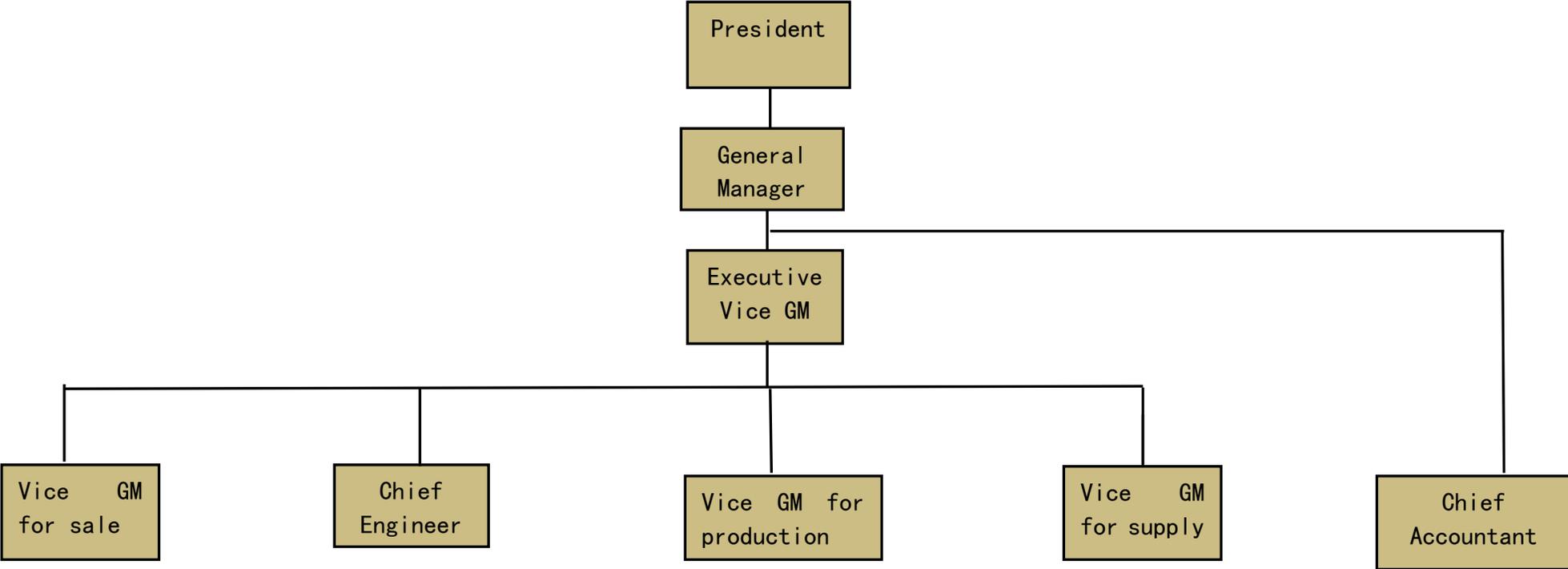
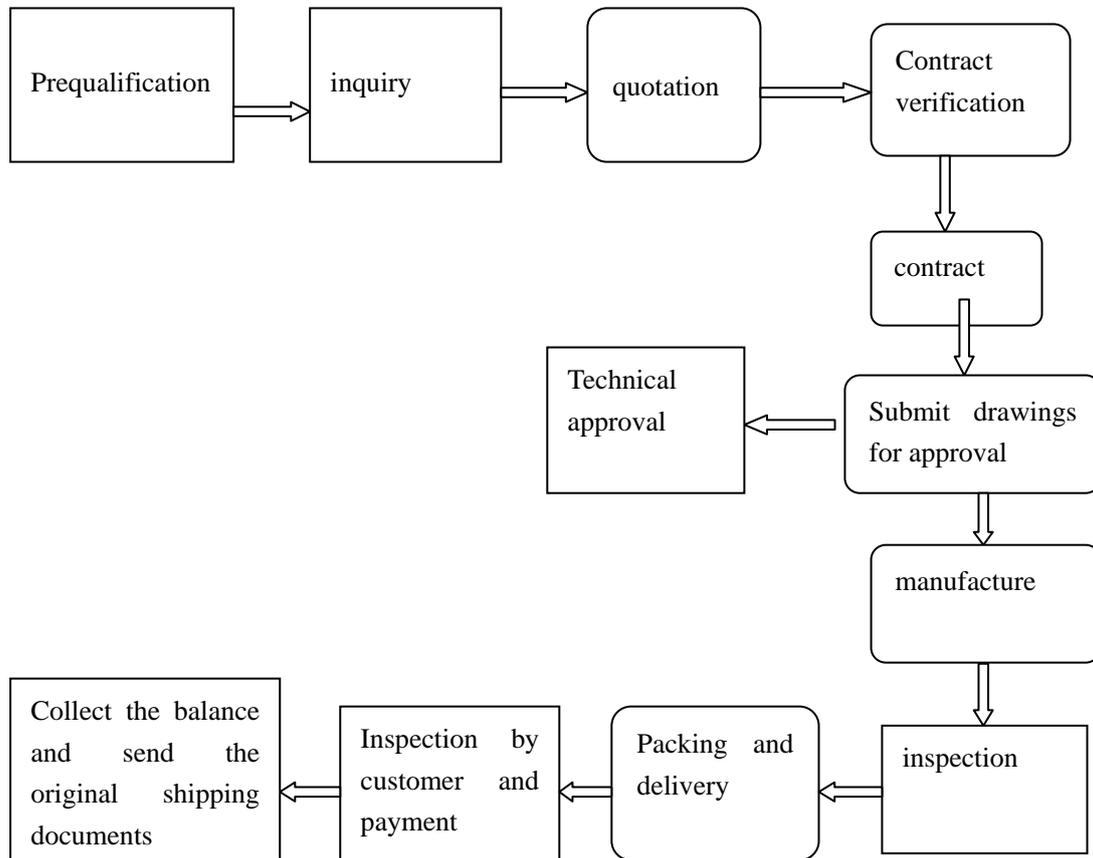
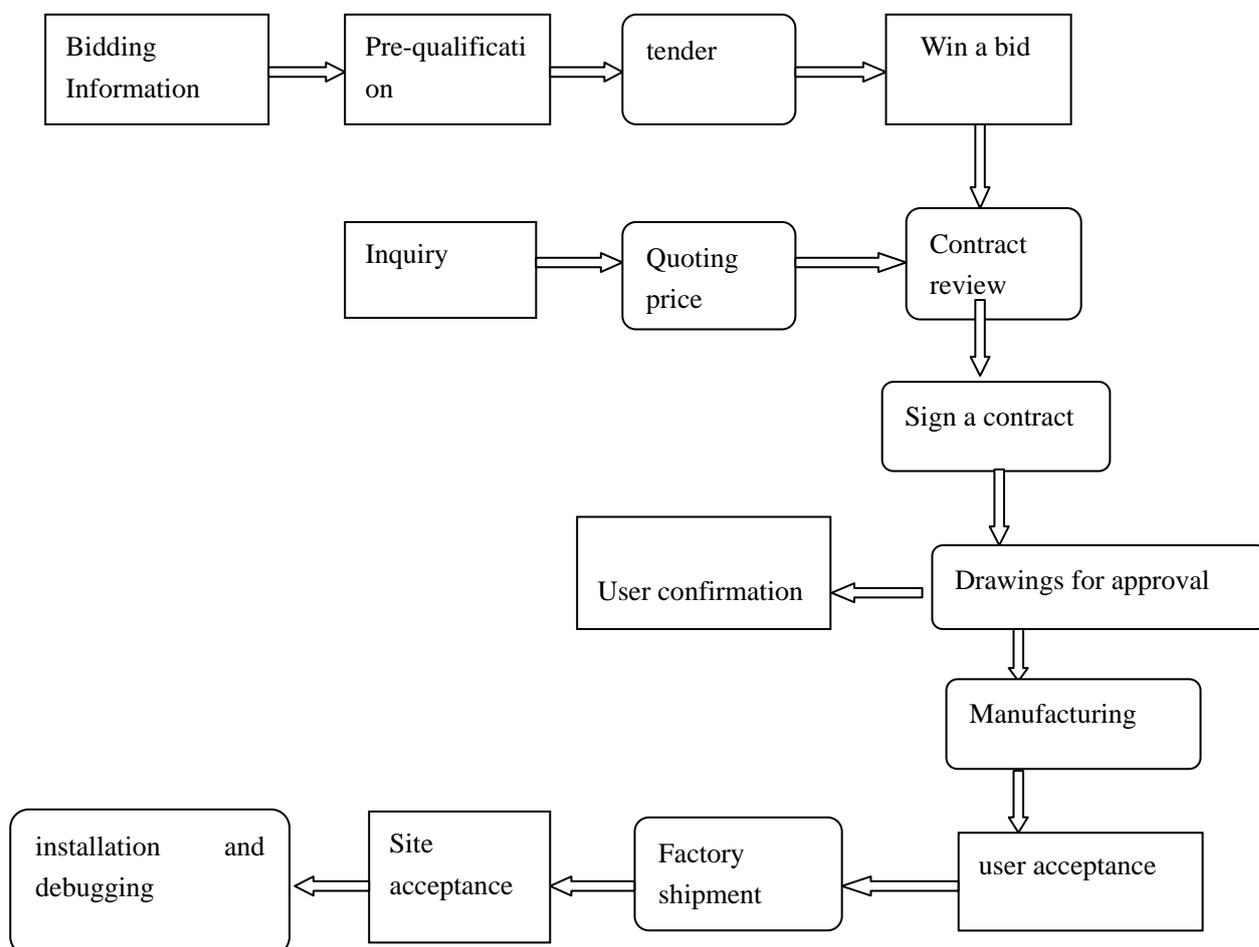


Exhibit 5-Flow Chart of Exports to Australia



Flow Chart of Domestic Sales



Legislation on export tax refund

Measures for the Administration on Export Tax Refund (Exemption)

In pursuant to the “Interim Regulations of the People's Republic of China on Value-Added Tax” and the “Interim Regulations of the People's Republic of China on Consumption Tax”, the following provisions on the refund or exemption of value-added tax and consumption tax on export goods are hereby promulgated:

1. Enterprises empowered to handle exports (hereinafter referred to as “export enterprises”) except otherwise provided for may apply to tax authorities monthly for an approval of refund or exemption of value-added tax and consumption tax for themselves or acting as an export agent after customs declaration and listing of the goods as sales in their accounts upon the presentation of related documents.

2. The following goods are eligible for refund or exemption of value added tax and consumption tax with special approvals:

(1) goods shipped out of the country for use in contracting projects by companies contracting for foreign engineering projects.

(2) goods shipped out of the country for use in repair projects by enterprises undertaking the repairs.

(3) goods sold to foreign ships or Chinese ocean-going ships by foreign ship supporting companies or ocean-going shipping supply companies and paid in foreign exchange.

(4) machinery and electronic products and building materials sold by domestic enterprises after winning international bidding financed by loans provided for by international financial organizations or foreign governments.

(5) goods bought in China and shipped out of the country by enterprises as their shares of investment abroad.

3. The following export goods are exempt from value-added tax and consumption tax:

(1) goods processed with supplied materials and re-exported.

(2) contraceptive drugs and instruments, ancient and second-hand books.

(3) cigarettes.

(4) military goods and goods for export produced by military supplies factories or allocated by military supplies departments.

The tax-free goods prescribed by the State shall not get tax refund.

The provisions on the tax refund or tax exemption for goods exported by enterprises with foreign investment shall be promulgated separately.

4. Except re-export of goods processed with supplied materials as approved by the State, the following goods are not eligible for refund or exemption of value-added tax and consumption tax:

- (1) crude oil.
- (2) export goods as foreign aid.
- (3) goods whose export is banned by the State, including natural bezoar, musk, copper and copper-based alloys and platinum etc.
- (4) sugar.

5. Goods bought by export enterprises from small scale taxpayers with ordinary bills shall get no tax reduction or tax refund whether they are sold at home or exported. But reduction or tax refund shall be made for the following goods considering their large proportion in the export and special conditions in production and procurement:

Drawn work, arts and crafts, spices, mountain goods, wickerwork and bamboo and rattan products, fishing nets and gears, rosin, gallnuts, raw lacquer, bristle tails, goat skin and paper products.

6. The export of the originally high tax rate goods and precious goods shall also follow the relevant provisions in the “Circular of the State Administration of Taxation and the Ministry of Foreign Trade and Economic Cooperation on Tax Refund for High Tax Rate Products and Precious Products Exported by Some Export Enterprises” (GuoShuiFa [1992] No.79). The export of the originally high tax rate goods and precious goods exported by non-designated enterprises shall not get refund.

7. The amount of value-added tax refunded for export goods shall be computed according to the tax amount for purchase of the product. The specific methods of computation are:

(1) For an export enterprise which has separate inventory account and sales account for export goods, the taxable amount shall be computed according to price and tax amount specified in the special invoice for value-added tax on purchase of goods.

For enterprises which have adopted the weighted average method in inventory and sales, the following formula may be used for computation according to different tax rates and goods:

Refundable amount = Amount of export goods * weighted average purchasing price * Tax rate

(2) For export enterprises which handle both domestic sales and export goods and there are no separate accounts for export goods, the following formula should be applied after computing the taxable amount of the sales account for domestic sales and deducting the taxable amount of purchase account of the period:

A. Sales amount * Tax rate \geq remaining taxable amount after deduction of the tax amount for the purchase of the product.

Refundable amount = Tax amount remaining for the purchase after deduction

B. Sales amount * Tax $<$ Remaining taxable amount after deduction for the purchase of the product

Refundable amount = Sales amount * Tax rate

Taxable amount for purchase of the product for deduction in the next period = the taxable amount for purchase of the product remaining after deduction of the period - refundable amount

Money amount of sales refers to the FOB price of the goods and the Renminbi amount computed according to the foreign exchange quotation. Tax rate refers to the refund tax rate of the goods.

The taxable amount of refundable goods bought for export from small scale taxpayers shall be computed according to the following formula:

Purchased goods = Sales amount specified in Taxable amount of ordinary invoice (including value-added tax) / (1 + tax rate) * Tax refund rate

The taxable amount of purchased goods for export shall be determined by the amount of value-added tax specified in the special invoices for value-added tax.

8. The refundable consumption tax amount for goods exported by foreign trade enterprises or by foreign trade enterprises for others shall be computed according to the prices for which consumption tax is levied upon purchase of the goods from factories if the consumption tax is levied according to the advalorem rate and according to the amount purchased and declared for export if the consumption tax is levied according to the advalorem rate and according to the amount purchased and declared for export if the consumption tax is levied according to the specific rate. The formulation for computation is:

Refundable consumption tax amount = Factory sales amount of export goods (export quantity) * Tax rate (per unit tax amount)

Production enterprises with the power of handling export shall be exempt from consumption tax according to the actual amount exported in exporting their own taxable goods.

9. If the sales amount of export goods, the amount of goods purchased and tax amount are apparently on the high side and there is no justifiable account for it, tax authorities have the right to refuse tax refund or tax exemption.

10. The rate of tax refund for value-added tax on export goods shall be 17% and 13% as prescribed in the Interim Regulations of the People's Republic of China on Value-Added Tax. The rate of tax refund for refundable goods purchased from small scale taxpayers shall be 6%. The tax-free agricultural produce purchased directly from producers for export shall not be refunded.

The rate of refundable consumption tax for export goods and the per unit tax amount shall be computed according to the Table of Consumption Tax Categories and Tax Rates (Tax Amount) attached to the Interim Regulations of the People's Republic of China on Consumption Tax.

An enterprise shall account and declare goods of different tax rates separately. The lowest tax rate shall apply for goods whose tax rates cannot be differentiated clearly.

11. Export enterprises shall go through the tax refund registration procedures with the local tax authorities in charge of tax refund within 30 days starting from the date of approval by presenting the document of approval for export issued by the Ministry of Foreign Trade and Economic Cooperation and the units it has authorized and business licenses. Enterprises which completed the tax refund procedures before the promulgation of these rules shall be reviewed according to the new rules within 30 days starting from the date of the issuance of this document. Export enterprises failing to go through the tax refund procedures or to have their post registration reviewed shall not get tax refund or exemption for their export goods.

If export enterprises have been dissolved or merged or have their registered items altered, they should go through the cancellation or alteration procedures with the local tax authorities in charge of export tax refund within 30 days starting from the date of dissolution, merger or alteration.

12. Export enterprises should assign full- or part-time personnel (hereinafter referred to as a "tax clerk") who shall be trained, examined and issued with a "tax clerk certificate". People without the tax clerk certificates are not allowed to handle tax refund. If an enterprise has changed its tax clerk, it should timely inform the tax authorities in charge of tax refund, which shall cancel the tax clerk certificate. If the proper tax authorities are not informed of the changes, the enterprises shall be held responsible for all the tax refund activities that occurred after the changes of the original tax clerks.

13. When declares the export goods with the customs and enters into accounts as sales, an export enterprise shall file "Export Tax Refund (exemption) Application Form" on the monthly basis and provide related documents to foreign trade departments in charge, which shall submit them to the tax authorities in charge of export tax refund after examination and affixing their seals.

14. In going through the export tax refund procedure, export enterprises shall provide the following documents:

- (1) special (tax credit copy) or ordinary invoices for value-added tax.

Enterprises applying for consumption tax refund shall also provide the "Tax Payment (Special for Export Products) Certificate" (hereinafter referred to as "tax bill") produced by the source factory and sealed by the tax authorities and banks (treasury) .

(2) Sales ledger for export goods. Tax authorities in charge of export tax refund shall examine the sales ledgers and sales tax bills carefully before confirmation.

The special invoices for value-added tax, special tax bills for consumption tax and sales ledgers shall be provided for by enterprises at the time of applying for tax refund.

(3) The “Export Goods Declaration Form (export tax refund copy) with the seal of the customs. The ”Export Goods Declaration Form (export tax refund copy) should be submitted by enterprises at the time applying for export tax refund. But for a few enterprises which have huge amounts of export and the ports of shipment are scattered and it is difficult for them to recover the customs declaration forms, they may get the approval of tax authorities in charge of export tax refund to delay the submission for three months after the tax authorities have verified that their accounting systems are sound and found no tax cheating before. If they still fail to provide the declaration forms within the time limit, they should return the amount of tax refunded (exempted) .

(4) Export exchange collection documents. Enterprises should collect all the export exchange collection documents of banks for their export goods into monthly books to be ready for the examination and verification by tax authorities. Tax authorities shall check the export exchange collection documents of export enterprises for goods exported and taxes refunded every six months and clear at the end of a year all the exchange collection bills for the previous year.

Except goods whose export exchange collection bills are not required, if any enterprise fails to provide the exchange collection bills that should be provided, it shall return the amount of tax refunded. Export exchange collection bills are not required for the following goods:

1. goods exported through barter trade and compensation trade.
2. goods exported for use in engineering projects contracted abroad.
3. goods exported for forward exchange approved by foreign trade departments of various provinces, autonomous regions, municipalities directly under the Central Government and municipalities separately listed on the State plan in terms of planning and the terms are not mature.
4. goods purchased at home and shipped out of the country as investment abroad.

The foreign exchange collected from domestic sales shall not be entered into the export exchange collection eligible for export tax refund.

15. Foreign ship supporting companies or ocean-going shipping supply companies shall on the monthly basis submit “Export Tax Refund (exemption) Application Form” to the local tax authorities in charge of export tax refund for goods sold to foreign ships and foreign ocean- going ships. At the same time, they should provide special value-added tax invoices, special consumption tax invoices, foreign sales invoices and sales invoices and foreign exchange collection documents.

Foreign sales invoices must specify the name, amount and sales value of the goods sold and have the signatures of captains of foreign ships and foreign ocean-going ships before they become valid.

16. In accepting foreign repair businesses, production enterprises should, after the goods repaired are re-shipped out of the territory, submit “Export Tax Refund (exemption) Application Form” to the local tax authorities in charge of export tax refund together with the special value-added tax invoices for parts, accessories and other raw materials bought and goods delivery orders, repair or fitting invoices, customs declaration form for goods re-exported and foreign exchange income documents. The refundable amount shall be computed according to the special value-added tax invoices and delivery orders for parts, accessories and other raw materials.

In cases where foreign trade enterprises have entrusted the foreign repair businesses they have accepted to other production enterprises, the aforesaid foreign trade enterprises shall, after the repaired goods are re-exported, fill in separately and submit the “Export Tax Refund (exemption) Application Form” to the local tax authorities in charge of export tax refund and at the same time provide the special value-added tax invoices produced by production enterprises for parts, accessories and other raw materials bought, repair or fitting invoices produced by the aforesaid foreign trade enterprises for foreign clients, customs declaration form for goods re-exported and foreign exchange income documents. The refundable amount shall be computed according to the special value-added tax invoices and delivery orders for parts, accessories and other raw materials.

17. In export equipment, raw materials, engineering machinery and other goods for use in engineering projects contracted abroad, the contracting enterprises shall, after the goods are declared with the customs, submit the “Export Tax Refund (exemption) Application Form” to the local tax authorities in charge of export tax refund, together with special value-added tax invoices for goods procured, export goods customs declaration form (export tax refund copy) and foreign engineering contract and other related materials.

18. For machinery and electronic products and building materials sold through international bidding for projects using loans provided by international financial organizations or foreign governments or by domestic enterprises that won the bidding, the enterprises concerned shall, after the goods are examined and accepted, submit the “Export Tax Refund (exemption) Application Form” to local tax authorities in charge of export tax refund together with the following certificates and materials:

(1) certificates (master copy) for winning bids issued by Chinese bidding companies or other domestic bidding organizations.

(2) the goods supply contracts signed between the bid winners and Chinese bidding companies or other bidding organizations. If the bid winners are foreign trade

enterprises, the procurement contracts (agreements) signed by bid winners and goods supplying enterprises shall be provided.

(3) special value-added tax invoices for procuring the goods won. In cases where consumption tax has been levied on goods won, the special consumption tax invoices shall be provided. (If a production enterprise has won a bid, the consumption tax due shall be exempt for the production process) .

(4) the invoice provided to clients by winning bidders according to the bidding proposals and goods supply contracts.

(5) In a case where a project is won by a sub-contractor, the sub-contract (agreement) signed by the subcontractor and the winning bidder in addition to the aforesaid materials.

The loans provided by international financial organizations are, for the time being, limited to those provided by the International Monetary Fund, the World Bank (including International Bank for Reconstruction and Development, International Development Association), UN Agricultural Development Fund and The Asian Development Bank.

19. In shipping out goods procured at home for use as investment abroad, an enterprise shall, after the goods are declared with the customs, submit the "Export Tax Refund (exemption) Application Form" to the local tax authorities in charge of export tax refund and provide the following documents and materials:

(1) document of approval (duplicated copy) issued by the Ministry of Foreign Trade and Economic Cooperation or by units authorized by the Ministry.

(2) duplicated copies of enterprise registration abroad and relevant contracts.

(3) special value-added tax invoice for the export goods procured.

(4) export goods customs declaration form (export refund copy) .

20. In importing raw materials and parts duty-free for processing trade with supplied materials, export enterprises shall get the "Certificate of Tax Exemption for Processing with Supplied Materials" from the local tax authorities in charge of export tax refund by presenting the customs declaration form for the import of materials for processing and the registration manual of processing with supplied materials. With such certificate, an export enterprise shall apply with the tax authorities in charge for the exemption of value-added tax and consumption tax for materials for processing or entrusted others for processing. After the processed goods are exported, the enterprises should go through the cancellation procedures with the local tax authorities in charge of export tax refund by presenting the export goods customs declaration form and processing trade registration manual cancelled by the customs and foreign exchange collection documents. If they are not cancelled within the prescribed time limit, the tax authorities in charge of export tax refund and the customs and the relevant tax authorities shall levy taxes overdue and give the aforesaid enterprise punishment.

21. In importing raw materials and parts for resale to other processing enterprises at reduced rate for use in the processing trade, an export enterprise shall fill in the “Form for Declaration of Processing Trade with Supplied Materials” and, after the form is affixed with the seal of the tax authorities in charge of export tax refund, submit it to the tax collection organizations in charge, which shall compute the tax amount for the raw materials and parts sold according to the prescribed tax rate when producing special value-added tax invoices. The tax authorities in charge of the export enterprise shall not levy the tax amount specified in the sales invoice, but will deduct the amount from the export tax refund when the export enterprise goes through the export tax refund procedure.

The tax refund for re-export of materials processed shall be computed in the following formula:

Export refund = refundable amount - the amount of tax payable for selling import materials and parts

The amount of tax payable for selling materials and parts = amount from sales of imported materials and parts * tax rate - taxes levied by the customs on the imported materials and parts.

These provisions do not apply to enterprises with foreign investment which sell materials and parts imported for use in their processing trade. They shall pay value-added tax and consumption tax according to the provisions on value-added tax and consumption tax and go through the export tax refund procedures after the processed goods are exported.

22. Enterprises empowered to handle the export of cigarettes covered by State export plans shall be exempt from value-added tax and consumption tax according to the following provisions. But value-added tax and consumption tax shall be levied for export cigarettes not covered by State plans.

(1) In procuring cigarettes for export from cigarette factories, export enterprises shall get the “Certificate for Purchasing Export Cigarettes Tax-Free” from the local tax authorities in charge of export tax refund and give it to the cigarette factories, which shall go through the tax exemption procedures with the tax collection organs in charge. Cigarette factories shall sell to export enterprises the cigarettes which have been approved tax-free at prices containing no consumption and value-added taxes.

(2) Tax authorities in charge of export tax refund shall strictly issue the “Certificate for Purchasing Export Cigarettes Tax-Free” according to the tax exemption plan for export cigarettes of the State. The tax exemption plan for export cigarettes shall be the plans issued by the State Administration of Taxation. Before the tax exemption plan is produced at the beginning of a year, the certificate shall be issued according to the tax exemption plans fulfilled at the beginning of the preceding year.

(3) Tax authorities in charge of levying taxes on cigarette factories shall be strict in examining and approving tax exemption according to the varieties, specifications and amounts specified in the Certificate for Purchasing Export

Cigarettes Tax-Free“. After the tax exemption is approved, the tax authorities in charge of tax collection shall fill in t

he "Certificate for Export Cigarettes Exempted from Tax" and send by mail directly to the tax authorities in charge of export tax refund for cigarette purchasing party.

(4) After the tax-free cigarettes are exported, export enterprises shall go through the tax exemption cancellation procedures with the local tax authorities in charge of export tax refund by presenting the export goods customs declaration form (copy for export tax refund), foreign exchange collection bills and export invoices.

23. After an export enterprise has collected the goods processed by production enterprises and declared for export with the customs, the export enterprise shall go through the export tax refund procedures by presenting the invoices for buying the raw materials for processing and for the processing fees. If the value-added tax for the import process has been reduced for the materials imported for processing, the tax refund shall be computed after the tax reduction is deducted.

24. If the goods are exported by an agent, the tax payment shall be returned to the export agent. If the goods are exported jointly by at least two enterprises together, the units specified in the customs declaration form shall go through the tax refund procedures in a unified manner by presenting relevant tax refund documents.

25. Tax authorities in charge of export tax refund shall carefully examine the tax refund application forms submitted by enterprises according to the tax refund regulations and fill in the "Income Refund Notice" after finding them accurate and submit them for examination and approval by tax authorities in charge of export tax refund approval level by level. They will then submit the notices to the local banks (State treasury) for handling the drawback procedures. Tax authorities in charge of export tax refund shall complete the procedures within one month starting from the date of the receipt of the export tax refund applications if the application procedures are complete and the contents are true to the facts, except otherwise provided for by tax authorities at the next higher level.

The standard for examination and approval of export tax refunds, the terms of reference for examination and approval and work procedures shall be determined by the sub-bureaus of the State Administration of Taxation and import and export tax management sections directly subordinate to the State Administration of Taxation. The examination and approval of export tax refund shall be put in the charge of tax authorities at and above the central sub-bureaus of the State Administration of Taxation.

26. Export tax refund plan shall be managed in a unified manner by incorporating it into the internal plan for industrial and commercial tax.

27. If the exported goods are shut out, returned or converted for domestic sales, the enterprises that export them shall go through the declaration procedures with the local tax authorities in charge of export tax refund and return the tax amount refunded. The returned tax payment shall be turned over to the central treasury.

28. Tax authorities in charge of export tax refund should carry out in-depth investigations into enterprise about the tax refund documents and accounts and goods

and if doubts are found with export goods, they may carry out overall examination of the management conditions of the export goods.

29. An enterprise should carry out overall clearance of the export tax refund of the preceding year within three months after the end of the year and report the results to the tax authorities in charge of export tax refund, which shall examine the report, recovering the amount over-refunded and making good the shortages. After the clearance, tax refund authorities shall no longer accept the export tax refund applications for the preceding year.

30. The export tax refund authorities shall decide whether or not overall or random checks of the export tax refund of an enterprise according to the actual circumstances of the locality.

In cases where tax refund cheating is suspected, the people in charge shall produce reasons or basis and submit for approval by head of sections of central sub-bureaus, sub-bureaus or import and export tax management departments directly subordinate to the State Administration of Taxation and import and export tax management sections of sub-bureaus before separate checking is carried out. During the period of checking, export tax refund procedures shall be stopped for the goods in suspicion, and if export tax refund procedures have been completed, enterprises concerned should provide guarantee for returning the tax refunds. If the enterprise cannot provide the guarantee, with the approval of the tax refund authorities, the bank with which the enterprise concerned has opened accounts shall be notified in writing to suspend the payment of the deposits equal to the tax amount refundable until the investigations are completed.

31. A fine of less than RMB5, 000 shall be imposed, apart from the order for correction within the prescribed time limit, on export enterprises if one of the followings is committed in violation of the provisions:

(1) failing to go through the export tax refund registration procedures according to regulations;

(2) failing to set up, use and keep the account books and documents and bills related to export tax refund;

(3) refusing the examination by export tax refund authorities and the provision of materials and documents related to export tax refund.

32. If the actual amount of tax refunded (exempt) is bigger than the refundable amount due to the fault of the export enterprises or enterprises fail to go through the cancellation procedures within the prescribed time limit after going through the tax exemption procedures for processing trade, the export tax refund authorities shall make the enterprises concerned return the amount over-refunded or exempted. For failure to return the over-refunded or exempted amount within the prescribed time limit, a defer payment amounting to 2% of the returnable amount shall be made for a day starting from the date of expiration.

33. If an enterprises is found to have cheated tax refund by falsification, alteration, bribery or other illegal means, it shall be deprived of the export tax refund right for at least six months with the approval of the State Administration of Taxation if the case is very serious. The exports handled by the enterprises or by any agent during the period of tax refund suspension shall not get export tax refund.

If a tax refund cheat case involves a big sum or the case is exceptionally serious, the Ministry of Foreign Trade and Economic Cooperation shall disqualify the enterprise for export.

34. Those who provide or produce false special tax bills or other false tax refund documents for export enterprises shall be fined for an amount less than five times the illegal proceeds. If the case involves a huge sum and the case is very serious in cheating, heavier punishments shall be meted out or criminal responsibilities shall be affixed by judicial organs.

35. Other management matters shall be handled according to the relevant provisions of the *Law of the People's Republic of China on Administration of Tax Collection*, *the Interim Regulations of the People's Republic of China on Value-Added Tax* and the *Interim Regulations of the People's Republic of China on Consumption Tax*.

Accounting System

