



REVIEW OF MEASURES 392

**REVIEW OF MEASURES ON
ALUMINIUM EXTRUSIONS
EXPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA**

VISIT REPORT - EXPORTER

**Guangdong Jinxi Cheng Aluminium
Manufacturing Co., Ltd**

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WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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1 BACKGROUND

On 23 March 2017, the Commissioner of the Anti-Dumping Commission gave public notice in Anti-Dumping Notice (ADN) No. 2017/38 of his decision to initiate a review of anti-dumping measures in respect of certain aluminium extrusions (aluminium extrusions) exported to Australia from the People's Republic of China (China). The background relating to the initiation of this review is contained in Consideration Report No. 392.

Following initiation of the review of measures, a search of the Australian Border Force import database indicated that Guangdong Jinxiecheng Aluminium Co., Ltd (Jinxiecheng) exported aluminium extrusions to Australia from China during the period 1 January 2016 to 31 December 2016 (the review period).

The Anti-Dumping Commission (the Commission) notified Jinxiecheng of the review and sought its cooperation through the completion of an Exporter Questionnaire.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the review period, Jinxiecheng exported aluminium extrusions to Australia. Jinxiecheng advised that all products exported met the definition of aluminium extrusions subject to anti-dumping measures.

2.2 Like goods sold on the domestic market

During the review period, Jinxiecheng sold aluminium extrusions to domestic customers in China. The extrusions sold domestically had the following finishes:

- mill finish;
- anodised;
- electrophoresis; and
- powder coated.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- have the same production process;
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

2.3 Model matching

Due to market situation claims (see section 7 below), the verification team has constructed the normal value using Jinxiecheng's costs to make the exported goods, plus selling, general and administrative (SG&A) costs applicable to the goods sold domestically, and an additional amount for profit. Therefore, model matching between export and domestic sales is not required.

2.4 Like goods – preliminary assessment

The verification team considers that aluminium extrusions produced by Jinxiecheng for domestic sales have characteristics closely resembling those of the goods exported to Australia and are therefore like goods in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 General

Aluminium extrusions exported to Australia during the review period were sold by Jinxiecheng to two unrelated Chinese trading companies. One trading company took over the business from the other company early in the review period.

3.2 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Jinxiecheng's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3 Verification of Australian sales to source documents

The verification team verified the accuracy of Jinxiecheng's amended Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified an issue regarding gross invoice values. No other issues were identified.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3.1 Gross invoice value

In verifying the Australian sales listing provided as part of the exporter questionnaire response, several inaccuracies regarding gross invoice values (including VAT) were identified by the verification team. Prior to the visit, Jinxiecheng provided a revised Australian sales listing which corrected those gross invoice values.

3.4 The exporter

For all Australian export sales during the review period, the verification team considers Jinxiecheng to be the exporter of the goods.² Jinxiecheng manufactures the goods in response to an order received by unrelated traders from the Australian customer. Jinxiecheng consults with the Australian customer on technical issues as necessary.

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

Jinxiecheng is aware that the goods are destined for Australia, even though ownership of the goods passes to the trader when they are picked up by the trader.

3.5 The importer

In relation to aluminium extrusions exported to Australia by Jinxiecheng, the verification team considers that the Australian entity that purchased the goods from Jinxiecheng's trading companies was the beneficial owner of the goods at the time of importation, and therefore was the importer of the goods.

3.6 Related party customers

Based on the company's response to the Exporter Questionnaire, sales data and audited financial statements, the verification team did not identify any information that might suggest the traders involved in exports to Australia or the Australian customer were related to Jinxiecheng.

3.7 Arms' length

In respect of aluminium extrusions manufactured by Jinxiecheng and sold to Australia through unrelated trading companies during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all sales between Jinxiecheng and its traders of aluminium extrusions, which were exported to Australia during the review period, were arms' length transactions.

3.8 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate. The verification team considers that the goods have been exported to Australia otherwise than by the importer but have not been purchased by the importer from the exporter. The verification team recommends, therefore, that the Minister determine export prices under subsection 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation.

The verification team is satisfied that and recommends that the export price be determined to be the price paid by the traders to Jinxiecheng, less (as appropriate) transport and other costs arising after exportation.

³ Section 269TAA of the Act refers.

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The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Jinxiecheng's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. The verification team did not identify any issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Jinxiecheng's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified an issue regarding production quantity. No other issues were identified.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Production quantity

In verifying Jinxiecheng's CTMS spreadsheet, a minor inaccuracy in production quantity was identified for one model during one quarter of the review period. Jinxiecheng stated that the discrepancy was due to a data entry error. The production quantity for that model was corrected. After verifying quantities of other models, the verification team is satisfied that the issue was not major or systemic.

4.3 Related party purchases

Based on the company's response to the Exporter Questionnaire, audited financial statements and documentation supplied for the purpose of the verification visit, the verification team did not identify any suppliers that might be related to Jinxiecheng.

4.4 Cost to make and sell – summary

Having verified Jinxiecheng's revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

Jinxiecheng's revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Jinxiecheng's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of Jinxiecheng's amended domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified issue regarding gross invoice values and an incomplete transaction line. No other issues were identified.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2.1 Revised domestic sales listing

In verifying the domestic sales listing provided as part of the exporter questionnaire response, several inaccuracies regarding gross invoice values (including VAT) and an incomplete transaction line were identified by the verification team. Prior to the visit, Jinxiecheng provided a revised domestic sales listing which corrected those issues.

5.3 Related party customers

Based on the company's response to the Exporter Questionnaire, sales data and audited financial statements, the verification team did not identify any information that might suggest domestic customers were related to Jinxiecheng.

5.4 Arms' length

In respect of domestic sales of aluminium extrusions made by Jinxiecheng to its unrelated customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

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- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁴

The verification team therefore considers that all domestic sales made by Jinxiecheng during the review period were arms' length transactions.

5.5 Ordinary course of trade

Section 269TAA of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of aluminium extrusions to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

5.6 Suitability of domestic sales

Due to market situation claims, normal values have been constructed under subsection 269TAC(2)(c) using the costs to make the goods exported to Australia, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

The profitability of domestic sales of like goods has been calculated by comparing the selling price with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the ordinary course of trade.

5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for assessing profitability of sales in the ordinary course of trade for the purposes of constructing a normal value in accordance with subsection 269TAC(2)(c).

The domestic sales listing, ordinary course of trade test and profitability calculation are at **Confidential Appendix 3**.

⁴ Section 269TAA of the Act refers.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Credit terms

The verification team considers that an upward adjustment for export credit is necessary to ensure a fair comparison to export prices.

Jinxiecheng calculated an average credit term using the accounts receivable turnover ratio method set out at section E-2.4 of the EQR. This involved calculating an average accounts receivable over the review period using the opening accounts receivable at the beginning of the period plus the closing accounts receivable divided by 2. As the monthly balance of accounts receivable varied considerably throughout the review period, the verification team considers it more appropriate to calculate average accounts receivable using the total of monthly accounts receivable divided by 12. Jinxiecheng disagreed with this approach.

The verification team has applied this adjustment based on the average number of credit days determined from Jinxiecheng's accounts receivable turnover ratio (using the method set out above) for the traders purchasing aluminium extrusions from Jinxiecheng for sale to the Australian customer.

Jinxiecheng demonstrated that it, on average, offers no credit terms to domestic customers and therefore no downward adjustment is necessary for this factor.

6.2 Packaging

Jinxiecheng demonstrated to the verification team that there was no difference between export and domestic packaging that would warrant an adjustment to ensure a fair comparison.

6.3 Level of trade/selling expenses

Jinxiecheng's sales of aluminium extrusions exported to Australia were to trading companies in China. The company's sales of aluminium extrusions domestically are mostly to aluminium distributors. Jinxiecheng explained that its domestic sales were mostly to longstanding customers and its sales effort to these customers was the same as for sales to the traders for goods exported to Australia. The verification team is satisfied that no adjustment is required for differences in level of trade.

6.4 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustment, in accordance with subsection 269TAC(9) of the Act, and considers this adjustment is necessary to ensure a fair comparison of normal values and export prices:

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Adjustment Type	Deduction/addition
Export credit terms	Add the cost of export credit terms

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

7 NORMAL VALUE

The previous review of the anti-dumping measures applying to aluminium extrusions completed in July 2015 (Review 248) found that the situation in the market of the country of export was such that sales in that market were not suitable for use in determining a price under subsection 269TAC(1).

Due to market situation findings in Review 248, the verification team has constructed the normal value under subsection 269TAC(2)(c) using Jinxiecheng's:

- cost to make the goods exported to Australia; plus
- SG&A amounts on the assumption that the goods, instead of being exported, were sold domestically, and the profit on that sale.

As discussed in section 5.6, a rate of profit has been determined using Jinxiecheng's domestic sales of like goods made in the ordinary course of trade.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

8 DUMPING VARIABLE FACTORS

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the review period, in accordance with paragraph 269TACB(2)(a) of the Act.

The preliminary dumping margin in respect of aluminium extrusions exported to Australia by Jinxicheng for the review period is **negative 5.0 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

9 SUBSIDIES

9.1 Preferential income tax programs

Jinxiecheng's audited financial statements for 2015 and 2016 show that the company paid the standard corporate tax rate of 25 per cent in both years. Jinxiecheng's tax returns for the same years support this conclusion.

9.2 Grants and preferential policies

In its Exporter Questionnaire response, Jinxiecheng provided details of grants received under the Training Program for Rural Surplus Labour Force Transfer Employment (Program 9). The verification team verified the amount received in the review period. The team obtained a copy of Jinxiecheng's non-operating income ledger over the review period and found no evidence of Jinxiecheng benefiting from other grants or preferential policies.

9.3 Tariff and VAT exemptions on imported materials and equipment

Jinxiecheng advised that it had not imported materials or equipment. The verification team found no evidence that Jinxiecheng had benefited under this program.

9.4 Aluminium provided by government at less than adequate remuneration

Jinxiecheng provided a list of its aluminium suppliers in period 1 July 2015 to 31 December 2016. Jinxiecheng advised that it had contacted its suppliers and all had advised that they did not have any form of government ownership. The verification team found no evidence that Jinxiecheng was benefiting from the provision of aluminium by the government at less than adequate remuneration.

9.5 Subsidies - conclusion

The verification team calculated a preliminary subsidy margin using verified information supplied by Jinxiecheng. The subsidy margin applicable to Jinxiecheng for the review period is 0.0004 per cent. This amount, when rounded, is 0.0 per cent and the verification team recommends, therefore, that an interim countervailing duty rate of zero per cent should apply.

The preliminary subsidy margin calculations are at **Confidential Appendix 6**.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Revised Australian export sales
Confidential Appendix 2	Revised CTMS spreadsheet
Confidential Appendix 3	Revised Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping variable factors
Confidential Appendix 6	Subsidy margin calculations
Confidential Attachment 1	Verification work program, with attachments