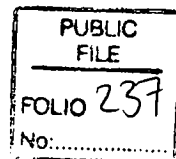




Australian Government
Australian Customs and
Border Protection Service



**INVESTIGATION INTO THE ALLEGED DUMPING AND
SUBSIDISATION OF ALUMINIUM ROAD WHEELS**

FROM

THE PEOPLE'S REPUBLIC OF CHINA

VISIT REPORT

ZHEJIANG JINFEI KAIDA WHEEL CO LTD

**THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT
REFLECT CUSTOMS AND BORDER PROTECTION'S FINAL POSITION**

April 2012

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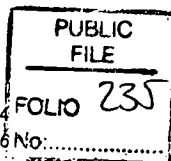
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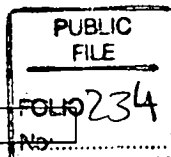
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2 BACKGROUND

2.1 Introduction

The Australian Customs and Border Protection Service (Customs and Border Protection) initiated an investigation on 7 November 2011 following an application lodged by Arrowcrest Group Pty Ltd on behalf of the Australian industry producing aluminium road wheels (ARWs)¹.

The application requested the publication of dumping and countervailing duty notices in respect of ARWs exported to Australia from the People's Republic of China (China). The application alleges that the goods have been exported from China to Australia at prices less than their normal value, that countervailable subsidies have been received in respect of the goods exported from China to Australia and that the dumping and subsidisation has caused material injury to the Australian industry through:

- lost sales volume;
- lost market share;
- lost revenues;
- price undercutting;
- price suppression;
- price depression;
- lost profits and profitability;
- reduced return on investment;
- reduced employment; and
- reduced re-investment in the industry.

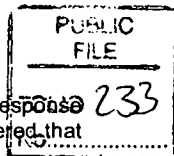
The non-confidential version of the application, made available on the public record, contains the basis of the alleged dumping and subsidisation. An Australian Customs Dumping Notice (ACDN) advising initiation of this investigation was published in *The Australian* newspaper on 7 November 2011 (ACDN 2011/54). This was the first investigation initiated for aluminium road wheels from China.

Customs and Border Protection notified that the investigation period was 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of aluminium road wheels during that period to determine whether dumping and subsidisation has occurred. Customs and Border Protection also notified that it would examine details of the Australian market from 1 July 2006 for injury analysis purposes.

Customs and Border Protection's commercial database indicated that Zhejiang Jinfei Kaida Wheel Co., Ltd (Jinfei Kaida) had supplied ARWs to Australia during the investigation period. Jinfei Kaida was invited to participate in the investigation by completing an exporter questionnaire.

¹ Refer to the full description of the goods in section 4.1

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On 4 January 2012, Jinfei Kaida submitted an exporter questionnaire response (REQ). Customs and Border Protection examined the response and considered that verification was warranted.

2.2 Purpose of visit

The purpose of the visit was to verify information contained in the exporter questionnaire submitted on 4 January 2012.

The submission comprised background to the company's activities, details of exports to Australia, domestic sales, normal values and cost of production. The submission was supported by attachments.

We advised Jinfei Kaida that verified information would be used to make preliminary assessments of:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins

We will preliminarily assess export price under s. 269TAB of the *Customs Act 1901*², normal values under s. 269TAC and dumping margins under s. 269TACB.

2.3 Interview – dates and persons present

The interview took place at:

800 Xianhua South Street
Industrial Park
Jinhua City
Zhejiang
People's Republic of China

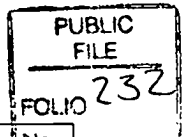
Telephone: 0086-579-82523262
Fax: 0086-579-8252393

The following were present at various stages of the interview:

Dates:	29 February, 1 March, 2 March and 5 March 2012
Jinfei Kaida	He Dongting, Huang Liyan, Zhen Dan, Zhuyan, Zhang Xiaodan

² All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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Arthur Law Firm	Andy Wang	No.
Australia Customs and Border Protection Service	Joanne Reid, Director, Operations 2 Nicole Platt, Manager, Operations 2 Cienna Turpie, Supervisor, Operations 2	

2.4 Cooperation and preliminary issues

We advised Jinfei Kaida of the investigation timeframes:

- A preliminary affirmative determination (PAD) may now be made at any time. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- A statement of essential facts (SEF) will be placed on the public record by 27 April 2012. The SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The SEF will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is due no later than 10 June 2012.

We informed Jinfei Kaida that anti-dumping and/or countervailing measures may only be imposed where the Minister was satisfied that the goods were dumped and/or subsidised and that the dumped and/or subsidised goods had caused or were threatening to cause material injury to the Australian industry.

Jinfei Kaida cooperated with the verification of details contained in the exporter questionnaire responses and provided further information when requested. We advised Jinfei Kaida that all information provided would be treated as confidential unless we were advised otherwise. We advised that:

- our findings and recommendations would be subject to review within the International Trade Remedies Branch;
- should we find that Jinfei Kaida had exported ARWs to Australia at dumped prices and we were satisfied that these exports had caused injury to the Australian industry, Customs and Border Protection may make a preliminary affirmative determination and collect securities on future imports of ARWs from Jinfei Kaida; and
- should the delegate be satisfied that Jinfei Kaida had not exported ARWs to Australia at dumped prices, Customs and Border Protection would be required to terminate the investigation as it applies to Jinfei Kaida as soon as possible.

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We explained our responsibilities in relation to confidentiality. We stated that we would:

- prepare a report of the visit;
- provide Jinfei Kaida with the draft report to review its accuracy of facts and calculations; and
- following consultation about confidentiality, prepare a report of the visit for the public record.

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3 COMPANY INFORMATION

3.1 Jinfei Kaida

Jinfei Kaida is a Hong Kong invested FIE with five shareholders (**confidential attachment 3**). The largest shareholder is Jinfei Holding Group Co Ltd (Jinfei Holding), which own 51% of shares. Other shareholders are investors only, and do not trade with the company. The role and operations of Jinfei Holding is discussed in detail at section 3.2.

Jinfei Kaida's primary business is production of ARWs for the domestic and export markets, and it also has a machinery operation, which produces, services and repairs moulds and equipment needed to produce ARWs.

Jinfei Kaida was founded in February 2005, and has two factories in Jinhua, Zhejiang province (Xian and Shen). Jinfei Kaida owns a third operating site which it uses for chrome finishing its ARWs, and also leases in part to Zhejiang Jinfei Yada Wheel Co., Ltd – a subsidiary of Jinfei Holding. Both the Xian and Shen factories employ identical procedures to manufacture ARWs. Equipment production and service is done on site at the Xian factory in addition to its ARW processes. The company employs between 1200 – 1400 employees and has a sales volume of 3 million to 4 million wheels per year.

Sales in the domestic market accounted for over half of the turnover volume and slightly below half of all revenue. The major export markets are the USA, EU, Russia, Japan, India and some Middle East countries. Exports to Australia comprised about 1 per cent of the company's total volume and value respectively during the investigation period.

[REDACTED] [company information].

Jinfei Kaida also has a number of subsidiaries, discussed below.

3.1.1 Jinfei Kaida's subsidiaries

Jinhua Jinfei Light Alloy Material Co., Ltd (JLAM)

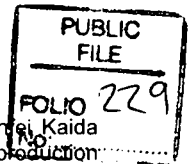
Jinfei Kaida holds 83.37% of shares in JJLAM. This company's primary function is the production of aluminium alloys. JJLAM produces the main component of ARWs being aluminium alloy A356, and they also produce other types of aluminium alloy. Jinfei Kaida purchased aluminium alloy from JJLAM during the investigation period. JJLAM is located on the opposite side of Jinhua city from Jinfei Kaida.

Zhejiang Jinfei E-bike Wheel Co., Ltd (E-bike)

Jinfei Kaida holds 100% of the shares of this company making it a wholly owned subsidiary. E-bike's main function is the production of wheels for electric bikes. E-bike is located in Jinhua City.

Guizhou Jinfei Wheel Casting Co., Ltd (Guizhou)

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Jinfei Kaida owns 51% of shares in Guizhou. Guizhou is owned by Jinfei Kaida together with one other natural person. Guizhou's primary function is the production of ARWs for motor vehicles. The company is currently in the process of moving its manufacturing base closer to the aluminium plant, LLJAM, in order to reduce production costs.

According to their exporter questionnaire response, Jinfei Kaida purchased aluminium alloy from Guizhou during the investigation period. The company explained that this was due to delays occurring in the establishment of Guizhou's premises. It had therefore transferred its aluminium alloy stocks to Jinfei Kaida to be used.

Guizhou began production of ARWs after the investigation period. Subsequent to that time Jinfei Kaida purchased semi finished ARWs from Guizhou because Guizhou only has a functioning casting workshop on site, and is therefore unable to complete the manufacturing process. Guizhou does intend to extend its workshops to include machining and painting facilities to enable complete production of ARWs in future.

Jinfei Chenlong Supplies Operating Co., Ltd (Chenlong)

Jinfei Kaida owns 70% of shares in Chenlong. Chenlong's business activities include sales of auto parts, motor parts and bike parts, chemical material, packing material and metal material

Chenlong did not share any land or other resources with Jinfei Kaida and there was no trading occurred during IP.

3.2 Jinfei Holding Group (Jinfei Holding)

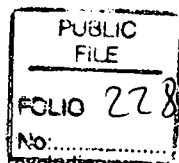
Jinfei Holding Group has transformed from a manufacturing company to an asset management and investment company. This change began in 2008 when it ceased manufacture of all passenger motor vehicle wheels and finalised in 2011 when it ceased manufacture of all other wheels. The manufacturing equipment which Jinfei Holding owned was subsequently sold to Jinfei Kaida.

The company was previously known as Zhejiang Jinfei Machinery Group Ltd, and changed its name on 24 October 2011 to Jinfei holding Group (**confidential attachment 2**). Jinfei Holding currently owns 51% of shares in Jinfei Kaida in addition to its other investment holdings in other wheel production companies.

During the investigation period Jinfei Holding purchased ARWs from Jinfei Kaida for export, however this ceased in December 2010 due to [REDACTED]

We were provided with a copy of the organisation chart showing the various companies in the Jinfei Holding Group and details of their ownership.

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A summary of the roles of the subsidiary companies of Jinfei Holding (excluding investors only) is as follows:

Company Name	Primary role	Owner
Zhejiang Jinfei Yada Wheel Co. Ltd	Manufacturing motor cycle wheels	100% Jinfei Holding
Jinhua Jinfei Machinery Technology Developing Co Ltd	ARW and equipment R&D – deregistered at the end of 2011	100% Jinfei Holding
Jinhua Feichi Motorcycle Sales Company	Retail sales representatives	95%-99% Jinfei Holding
Zhejiang Jinfei Motorcycle Wheel Co Ltd	Manufacture of motorcycle wheels	100% Jinfei Holding
Zhejiang Jinfei Kaida Wheel Co Ltd	Manufacture of ARW	51% Jinfei Holding

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4 GOODS UNDER CONSIDERATION AND LIKE GOODS

4.1 The goods

The goods the subject of the application are ARWs for passenger motor vehicles, including wheels used for caravans and trailers, in diameters ranging from 13 inches to 22 inches.

For clarification, the goods include finished or semi-finished ARWs whether unpainted, painted, chrome plated, forged or with tyres and exclude aluminium wheels for go-carts and All-Terrain Vehicles.

For further detailed information about the goods, interested parties should refer to ACDN 2011/54.

The goods are classified to tariff sub-heading 8708.70.91 (statistical code 78) in Schedule 3 of the *Customs Tariff Act 1995*.

Other tariff sub-headings the goods may be classified to include 8716.90.00 (statistical code 39) and 8708.70.99 (statistical code 80). Please see Issues Paper 2012/181 for further discussion of the goods.

The rate of duty for the goods from China is 4 per cent.

4.2 Like goods

Subsection 269T(1) defines like goods to mean:

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

Jinfei Kaida considered that the majority of their manufactured goods are like goods to the goods under consideration, with the exception of wheel sizes which fall outside the scope of the like goods definition.

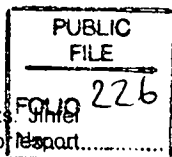
4.3 The company's products

Jinfei Kaida manufactures aluminium road wheels in sizes ranging from 8 – 26 inches in diameter, with either chrome, painted or painted and machine faced finishes.

Jinfei Kaida manufactures for both the OEM and AM markets domestically, however its exports to Australia are only sold into the AM market.

Jinfei Kaida provided a table with its questionnaire response that showed the various domestic and exported models by product description, highlighting differences between domestic and export models of the goods under consideration. The table shows that certain size and finish combinations were sold exclusively in one market, for example 19" Chrome wheels are not sold domestically. There were a total of

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seven models identified out of 26 that were not common across all markets. Jinfei Kaida informed the verification team that the wheels sold domestically and for export are of identical quality and go through the same treatment processes for all tire finishes.

Jinfei Kaida advised that the function is the same for all products exported and sold on the domestic market. The only differences were in the cosmetic finish of the different products, including a 'diamond lip' machine faced finish which is only applied to wheels exported to Australia.

4.4 The production process

The production process for ARWs exported to Australia is the same as the production process for ARWs sold domestically, and all are cast in one piece using either the gravity or low pressure casting methods. Jinfei Kaida advised the ARWs produced for Australia are made using both the gravity casting and low pressure method. The method of casting is highly dependant upon individual wheel design.

The production process is generally as follows:

1. Melting – Jinfei Kaida purchases both pure aluminium and aluminium alloy. Purchased aluminium alloy A356 is melted in a furnace in the melting workshop, the aluminium alloy is tested for chemical composition then liquid aluminium is moved to the casting workshop.
2. Casting - Jinfei Kaida informed the visit team that they run up to 40 single shot die casting machines at a time, 24 hours per day. Prior to being cast, the aluminium is further tested in the casting workshop for quality and any irregularities can be adjusted in the furnace run in the casting workshop.
3. Testing - X-ray of cast wheels to check for inconsistencies in the metal. Damaged wheels are re-melted in the furnace.
4. Heat treatment.
5. Machining - to refine the shape of the wheel. Any scrap generated during the machining process is recycled by re-melting for use in future cast wheels.
6. Finishing – wheels may be painted on site, machine finished or given a chrome finish. The chrome finishing is done off site at another Jinfei Kaida facility.
7. Packing and delivery – each wheel is wrapped in protective foam and placed into an individual cardboard box before being loaded onto a truck for delivery directly to the customer or to the port.

4.5 Conclusion

We are satisfied that the ARWs produced by Jinfei Kaida for domestic sale in China are like goods to those exported to Australia in terms of subsection 269T(1), noting that exports to Australia are only AM ARWs, while domestic sales are of both AM and OEM ARWs.

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5 SALES TO AUSTRALIA

5.1 General

Jinfei Kaida has one customer in Australia, Versus Luxury Wheels (Versus), who they began trading with about 3 or 4 years ago. Versus is a distributor of ARWs. Versus import ARWs from Jinfei Kaida in sizes 15" to 21", in chrome, painted and polished finishes. All wheels exported to Australia are for use on passenger motor vehicles.

Versus provides Jinfei Kaida with specific designs for production. Jinfei Kaida consults with Versus regarding specifications and design requirements and amends as necessary for production. On occasion Jinfei Kaida provides design options to Versus for consideration.

5.2 Export sales process

During the first half of the investigation period until September 2010, Jinfei Holding was the exporter of wheels to Australia, and from October 2010 until June 2011, Jinfei Kaida was the exporter. The company explained that this change occurred because Jinfei Holding had, as noted in section 3.2 above, decided to transform from a manufacturing company to an asset management company. We viewed a certificate of name change document (**confidential attachment 2**). All the wheels Jinfei Holding exported to Australia were manufactured by Jinfei Kaida.

Jinfei Kaida has a sales contract with Versus which outlines ordering and payment terms. A copy of the contract signed 25 September 2010 was provided (**confidential attachment 1**). This contract is to continue indefinitely until a revision is sought by either party.

Orders are placed by Versus submitting a purchase order form to Jinfei Kaida. There is a sales person responsible for taking orders from customers. Jinfei Kaida then contacts Versus to confirm the order. Once confirmation is received Jinfei Kaida arranges production of the order by notifying the production department to begin work. All products are made to order, and minimal inventory of finished stock is kept by Jinfei Kaida. Jinfei Kaida informed us that the production time is about ■ days from receiving the order to dispatch of the goods.

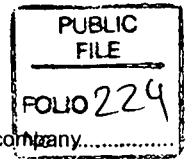
Goods are transported to the port for shipping and an invoice is issued once the container is loaded. Versus provides confirmation of payment once the invoice is paid.

5.2.1 Credit terms

Terms of sale for Versus are FOB, with payment due 3 months from the date of Bill of Lading.

We noticed on some payment documents that the payee for goods was not Versus, but Destiny Ltd. Jinfei Kaida informed us that they have no knowledge of this company, they sell ARWs to Versus and are not concerned with who makes

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payment on Versus' behalf. They advised that any information about this company would need to be sought from Versus.

5.2.2 Packing and inland freight

Jinfei Kaida informed us that for sales to the AM segment, packaging is the same regardless of destination – each wheel face is wrapped in foam and the wheel placed in an individual cardboard box before being packed for inland freight to the port.

Inland freight to the port is paid for by Jinfei Holding. Jinfei Kaida confirmed that they do not reimburse Jinfei Holding for this cost and it did not include it in the export sales CTMS submitted with their REQ. Jinfei Kaida did, however, include an allocation of inland freight on export sales in the Australian sales spreadsheet. We viewed a copy of the relevant freight contract (**confidential attachment 5**).

Jinfei Kaida informed us that they do however pay the terminal handling charges at the port, and that the price of this charge is incorporated into the selling price for wheels.

5.3 Pricing

Prices for all products exported to Australia come from a price list. This price list is reviewed periodically, and is used as the basis for customer orders. There are no advertising, warranty or after sale support costs, because these services are not provided to customers. Any wheels which arrive defective or damaged are remedied by offering a discount to the customer on their next order.

Jinfei Kaida provided us with a copy of the price list it supplies to Versus (**confidential attachment 4**). This price list was last updated on [REDACTED] [date], although the company informed us that the price is reviewed [REDACTED] [periodically], to take into account any changes in the cost of raw aluminium.

The company indicated that the price is based on [REDACTED] [pricing].

5.4 Export sales verification

5.4.1 Completeness

Jinfei Kaida provided Appendix A-6 with its questionnaire response. We asked the company to explain how the values in Appendix A-6 reconciled to their audited accounts. The company provided a copy of its financial statements for the year ended 31 December 2010 with its questionnaire response (**confidential attachment B**).

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Jinfei Kaida explained that to prepare the Appendix A-6 values and volumes for the investigation period, it used information from its accounting department. They also relied on the audited financial statements for 2010 to assist in preparation of Appendix A-6.

The company advised that the values provided in Appendix A-6 were in RMB for all sales.

The total values in response to exporter questionnaire appendices B-4, D-4 and F-1 reconciled with the volumes and values listed in Appendix A-6 for sales of the goods during the investigation period.

5.4.2 Verification of Appendices to financial system extracts and audited accounts

Company turnover and Income statement

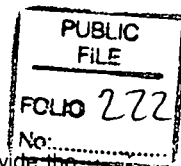
We attempted to reconcile the total company turnover for 2010 in Appendix A-6 to the audited financial statements for 2010 and accompanying notes. We were unable to do so as the figure contained in the audited statements was larger than that recorded in Appendix A-6. Jinfei Kaida explained that this variance was due to income from machinery sales and maintenance operations being included in the audited accounts. This data had been removed for the purpose of preparation of the exporter questionnaire as it was considered irrelevant to the investigation. Jinfei Kaida provided us with an Income Statement showing a reconciliation of the amounts shown in Appendix A-6 and the audited statements (**confidential attachment 7**). This was possible because Jinfei Kaida's accounting system has separate modules for the wheel business and the machinery business. We were satisfied that the 2010 turnover values provided in A-6 of the REQ are complete and reconcile to audited accounts.

Jinfei Kaida advised that the 2011 accounts have not yet been audited. To satisfy us of the completeness of Appendix A-5, the company provided us with a main business income breakdown statement for the investigation period (**confidential attachment 16**). The amounts on this breakdown agreed with the net sales on the income statement at Appendix A-5.

The company explained that sales relevant to the investigation were isolated by screening the specifications or sizes line (the end numbers related to the size in inches). The process was performed manually. We noticed that some specifications did not have a size, Jinfei Kaida told us those were decorative caps and provided separate documentation evidence of these costs. We reviewed detailed sales spreadsheets for the months of November 2010 and June 2011, which listed all sales to all customers, including those sales made through Jinfei Holding.

Based on the information provided, we are satisfied that Appendix A-5 is a complete representation of the company's income statement, and that the goods in Appendix B-4 agree with the information in Appendix A-6, and represent all the company's sales of like goods to Australia and do not include any goods that are not like goods.

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5.4.3 Accuracy

We selected 8 invoices from Appendix B-4 and asked the company to provide the following documents in relation to each sale:

- purchase order;
- acceptance of order;
- commercial invoice;
- proof of payment of invoice;
- packing list;
- inland freight to port;
- bill of lading; and
- FOB charges;

The bundle of documents relating to each selected transaction forms **confidential attachment A**. Jinfei Kaide informed us that there isn't a written acceptance of order document, and provided copies of all other requested documents for all of the 8 invoices.

Using one of the selected transactions as an example, the company showed us how the price list was reflected in the prices on the invoice to each customer.

We matched the details for each selected transaction to the details in Appendix B-4. In all but one of the orders, the Bill of Lading number recorded on the invoice did not match the actual Bill of Lading number. When questioned, Jinfei Kaide explained that they are provided with a Master Bill of Lading (also referred to as an ocean bill of lading) which is recorded on the customer invoice. The actual Bill of Lading document provided in the copies of source documents to the verification team was the customs declaration copy and it differs to the Master Bill of Lading. The Master Bill of Lading is valid from the date of loading to the date of discharge. The House Bill of Lading is the number recorded on the customs declaration document.

There were also two invoices totals that differed in the total payment received. The variance was minor, but when asked, Jinfei Kaide explained the differences were bank fees charged by different financial institutions.

Based on the information provided we are satisfied that the export sales volume and value in Appendix B-4 are accurate.

5.5 Verification of export related costs

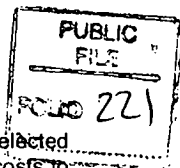
5.5.1 Rebates and commission

Jinfei Kaide confirmed that there are no rebates or commissions paid in relation to the goods under consideration exported to Australia.

5.5.2 Inland freight and terminal handling

As discussed above, Jinfei Holding pays for the cost of delivery of export goods to the port and Jinfei Kaide pays the terminal handling fees.

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We reviewed the supporting documents for these costs attached to the selected sales invoices and were satisfied that Jinfei Kaida's apportionment of these costs to the export sales to Australia is reasonable.

5.6 Exporter – preliminary assessment

At all times, Jinfei Kaida was the manufacturer of ARWs exported to Australia during the investigation period. For the goods exported directly by Jinfei Kaida we consider that it was the exporter of the goods, because it:

- was the owner or previously owned the goods;
- was the 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 freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the ultimate purchaser's identity.

For the goods exported by Jinfei Holdings during the first part of the investigation period we also consider Jinfei Kaida was the exporter. The goods were manufactured by Jinfei Kaida, who knowingly sold them to Jinfei Holding at a transfer price for delivery to Australia. Jinfei Holding's only role in the export transaction was payment of the inland freight from the factory to the port, and receipt of the payment from the customer. Whilst each company is regarded to be a separate legal entity, we are of the view that the companies operated as a group with respect to the export of aluminium road wheels to Australia during this period and can be reasonably and defensibly characterised as a single exporter for the purposes of determining a dumping margin.

We note that Article 6.10 of the WTO Anti-Dumping Agreement states that

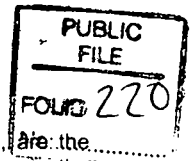
The authorities shall, as a rule, determine an individual margin of dumping for each known exporter or producer concerned of the product under investigation.

However, the issue of whether a group of related parties as a single exporter could be characterised as a single exporter for the purposes of an anti-dumping investigation was considered by a World Trade Organisation dispute settlement panel dealing with the case of **Korea – Anti-Dumping Duties on Imports of Certain Paper from Indonesia**. In its consideration of the case, the panel found that the treatment of related parties a single exporter was not inconsistent with Article 6.10.

5.7 Importer – preliminary assessment

Based on the information gathered at the verification, we preliminarily assess the importer as Versus Luxury Wheels, according to the definition of importer in s.269T(1). We consider that Versus Luxury Wheels is the respective beneficial

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owner of the goods at the time of their arrival in Australia, and as such, are the importer of the goods. We note that their name appears as the consignee on the Bills of Lading related to their purchases and that Versus Luxury Wheels are invoiced by Jinfei Kaida.

As noted above, we observed that on some occasions the payment to Jinfei Kaida was from an entity called Destiny, rather than Versus Wheels. The implications of this on the determination of who is the importer will be considered by the case team following finalisation of the visit report for Destiny.

5.8 Arms length

In relation to Jinfei Kaida's sales of ARWs to its Australian customer, we found no evidence that:

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

5.9 Export price

Based on the information obtained at the visit, but subject to any further information about the relationship of Destiny in the transactions, we consider that:

- The goods have been purchased by the importer from the exporter;
- The transaction between the importer and exporter was arms length; and
- The goods were subsequently sold by the importer in the same condition to customers in arms length transactions.

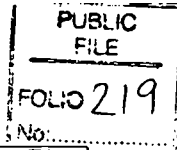
We consider that export price can be calculated under s269TAB(1)(a). Specifically, we consider that export price can be calculated by reference to:

- For exports directly by Jinfei Kaida, the invoice price from Jinfei Kaida to the Australian customer; and
- For exports by Jinfei Holdings, the invoice price from Jinfei Holdings to the Australian customer,

less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Export price calculations are at confidential appendix 1.

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6 COST TO MAKE & SELL

6.1 Introduction

The company advised that the accounting system does not contain cost centres for workshops, however each workshop submits separate cost reports to the accounts department for input of the data into the system. Production costs are based on actual costs, with parameters used to allocate costs to different wheel sizes.

We were given a tour of the factory and observed ARWs being manufactured, painted, and packaged. The company advised that it runs three shifts per day, 24 hours a day, 7 days per week.

6.2 Verification of cost data

6.2.1 Reconciliation to financial statements

The company provided a completed Appendix A-5 with its exporter questionnaire response. We matched the figures for cost of goods sold and SG&A expenses from Appendix A-5 to the audited statements for 2010 (confidential attachment B). In order to match the appendix A-5 figures to the audited statements, the company provided us with an income statement reconciliation sheet (**confidential attachment 7**). The company explained they have two divisions, being wheel manufacturing, and specialised equipment development and maintenance. The income statement reconciliation statement showed a breakdown of figures between the wheel division, and specialised equipment development division less any audit adjustments. The income statement reconciliation cross matched to the figures contained within the audited accounts.

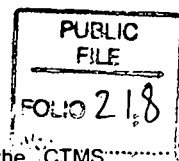
We asked the company to demonstrate how the quantities in the CTMS spreadsheets were calculated. We selected two different months by finish type to trace the records back to source documentation for verification. The months November 2010 and June 2011 were selected with the focus being on 15" painted and 20" chrome finishes.

To verify the costs for the investigation period, the company provided us with a summary costs spreadsheet for all workshops for each of the selected months (**confidential attachments 18**) and finishes, as well as a number of individual worksheets containing detailed cost breakdowns for each workshop (**confidential attachments 19,20,21,22 and 23**)

6.2.2 Production costs

Jinfei Kaida informed us that costs are based on actual costs rather than standard costs. In order to apportion the costs of raw materials and overheads to each diameter the company uses a complex spreadsheet to calculate the costs based on weight, time spent on production, finishing costs and a large number of other factors.

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6.2.3 Production volume

We asked the company to demonstrate how the quantities in the CTMS spreadsheets were calculated. The company provided us with a spreadsheet that listed production volumes for every model finished during the selected months. We matched the volumes from this spreadsheet to the quantities in the CTMS spreadsheets.

The company explained that it has two sites, Xian and Shen, both of which have identical ARWs production workshops and warehouses.

6.2.4 Cost to make

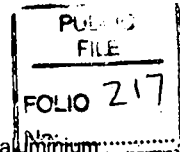
6.2.5 Aluminium costs

We viewed Jinfei Kaida's aluminium purchase ledgers relevant to the investigation period (**confidential attachment 43**) and we are satisfied that they reconcile with the aluminium purchases information provided in the response to exporter questionnaire. We then examined allocation of aluminium costs in the ARW production process.

The cost allocation spreadsheet (**confidential attachment 18**) contains a column for raw material costs. The company explained the process for recording material costs as follows:

- When material is delivered to the warehouse the company signs the transporter's material delivery voucher.
- Based on this voucher the warehouse input the weight and name of the material into the warehouse computer system;
- The system generates a 'warehouse entry voucher' automatically. This voucher records quantity, unit price and value. The value is pre-populated by the purchase department;
- The person in charge of receiving the aluminium at the purchase department verifies the warehouse entry voucher against the material delivery voucher, this verification takes place at the time the supplier issues the invoice which is usually by the 25th of the month.
- If the invoice is received by the 25th of the month the financial department will record the information in the financial system. If the invoice is not received by this date, the finance department will input the purchase based on the warehouse entry voucher, this is called 'pre-entry treatment'. When the invoice is ultimately issued the invoice is checked against the pre-entry details in the financial system.
- When the melting workshop takes aluminium from the warehouse it completes a material pick up voucher. Each month the material pick up vouchers are summarised into the inventory adjustment breakdown statement. The unit cost

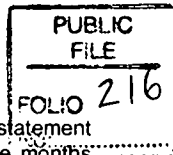
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amount on this statement comes from a weighted average cost of aluminium kept in the system. We received a copy of these statements for the selected months (**confidential attachment 14 and 15**). We selected one issue of aluminium from each month and obtained the relevant material pick up voucher.

- The total value of material issued from the warehouse each month is entered into a spreadsheet that records all the costs for the melting workshop. We obtained a copy of the spreadsheet for the selected months (**confidential attachment 19**).
- The total costs from the melting workshop breakdown sheet, i.e. materials and fuel, salary and overheads is transferred to the monthly cost report for the casting workshop. We obtained a copy of these reports for the selected months (**confidential attachment 20**).
- Then the total material costs from the monthly casting workshop report are transferred to the raw material cost allocation statement. (**confidential attachment 21**). The company explained that each month, all workshops record in the financial system the total materials consumed, and the wheel sizes and quantities produced. This report records the opening value of raw materials at the beginning of the period, the amount of material used during the period, the closing value of unfinished product and the value of finished product by finish. Based on this data the total cost of raw material used to produce finished goods during the period is calculated. We matched the total cost from raw material cost allocation statement to the cost allocation worksheet. The finance department then allocates costs to each wheel size, with raw materials allocated based on the weight of each wheel. Other costs are apportioned to the various wheel sizes via a complex spreadsheet with separate base parameters for each component of the cost of the wheel (casting, machining, painting, chroming, polishing, packaging, testing). These parameters are based on historical averages that use the smallest size wheel as a base cost and incremental costs for each increase in wheel size. We were satisfied that this methodology provided an accurate method of apportioning the total costs of each department to each wheel diameter and finish.
- In order to calculate the values on the CTMS spreadsheet for each size and finish, the company filtered the cost allocation spreadsheet and divided the total cost by the total volume to obtain a per wheel rate for raw material. We matched the unit rate for 15" painted wheels from the cost allocation spreadsheet to the CTMS in the response to exporter questionnaire.
- Raw material is allocated to each wheel size by multiplying the quantity of wheels by the wheel weight for each size and then dividing by the weighted average cost of raw material provided by the raw material cost allocation statement.

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We were also provided with an entry sales and inventory balance statement detailing warehouse aluminium purchases for the Xian warehouse for the months November and June (**confidential attachment 17**). We noticed that alloyed aluminium A356.2 was allocated a similar value to raw aluminium. The difference in value allocated to A00 and A356.2 in June was about 5%. In November, values allocated were almost identical for the two metals, with the largest difference between the two observed during the period being 3.4%. We asked the company why this was the case when information from the Australian industry suggests A356.2 should cost up to 10% more than pure aluminium due to the additional alloy materials and energy costs. The response from the company did not adequately answer the question.

Scrap

The production cost by workshop spreadsheet (**confidential attachment 20**) also records the quantity and value of recycled material used in each workshop. These values are also transferred to the raw material cost allocation sheet and therefore incorporated in the total raw material cost. We received copies of detailed raw materials allocations for the months November and June (**confidential attachment 21**).

6.2.6 Overheads

Wages

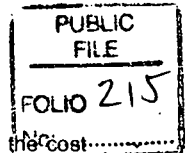
The direct labour cost on the CTMS spreadsheet is derived from the cost allocation spreadsheet (**confidential attachment 18**). The per-wheel rate is calculated by dividing the total labour cost from this sheet by the quantity of wheels. The total labour cost should come from the production cost by workshop summary sheets. We were unable to cross match this figure correctly. The company explained that this is because the workshops summary cost allocation sheet at confidential attachment 18 includes all finished goods, whereas each production cost worksheet (confidential attachments 19-23) is the amount picked-up by each warehouse.

We asked the company to provide a document that showed where the amount in the cost allocation spreadsheet came from, however it was unable to do so. As an alternative check of the reasonableness of the wages information, we added the total non-material costs (i.e. wages and overheads) from the cost allocation spreadsheet for the months of November 2010 and June 2011 and were satisfied that these closely reconciled to the total cost disclosed in the income statements for the respective months. Therefore while we were unable to directly match the wages amount in the cost allocation spreadsheet to an amount in Jinfei Kaida's records, we are satisfied that overall, all costs have been adequately captured in the cost to make and sell.

Manufacturing Overheads

These costs include fuel and power, packaging, low value consumables such as oils, depreciation and amortisation of dies.

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The manufacturing overheads on the CTMS spreadsheet are derived from the cost allocation spreadsheet (**confidential attachment 18**). The per-wheel rate is calculated by dividing the total manufacturing overheads from this sheet by the quantity of wheels. The total manufacturing overhead cost should come from the production cost by workshop summary sheets; however we were unable to cross match this figure correctly. The company explained that this is because the workshops summary cost allocation sheet at confidential attachment 18 includes all finished goods, whereas each production cost worksheet (confidential attachments 19-23) is the amount picked-up by each warehouse.

As with wages, discussed above, the company was unable to adequately explain where the overheads amount in the cost allocation spreadsheet came from, we are satisfied that all overhead costs as recognised in the company's income statement have been included in the cost to make and sell.

We asked the company to describe what types of costs were included in manufacturing overheads, they provided us with a manufacturing overheads breakdown for the gravity casting workshop for the selected months (**confidential attachment 22**). We noted that the largest expense item in this category was die amortisation. The company provided us with a spreadsheet showing the monthly amortisation of dies (**confidential attachment 42**).

Utility costs

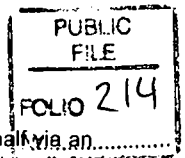
Jinfei Kaida provided to us electricity and water invoices to verify the amounts listed in its manufacturing overheads breakdown. We received electricity invoices and payment remittances for November 2010 (**confidential attachment 26**) and June 2011 (**confidential attachment 24**). Water invoices and remittances were also provided for the same months (**confidential attachments 26 and 28**).

In relation to electricity we noted that payments did not exactly match the invoice amount. Jinfei Kaida advised that payments are made in advance on the 20th of the month via direct debit to the electricity company. Invoices are issued in the month following usage. We were able to match the November 2010 invoices and payments exactly, however for June 2011 the amount paid was more than the total of the invoices. The company explained that the amounts paid varied from the amounts invoiced because invoices are paid in advance of usage, but that over time the amounts reconcile.

Electricity and water are provided by state-owned companies. Jinfei Kaida advised that as far as it aware the price is the same for all customers in the province.

We also received gas invoices and payment remittances for November (**confidential attachment 27**) and June (**confidential attachment 25**). The payment amounts were rounded figures which did not correspond to the amounts invoiced. The company explained that it was normal practice to pay a different amount to that invoiced, and that over time the amounts paid and invoiced balanced. We also observed that the payments were made by a company other than Jinfei Kaida. Jinfei Kaida advised that it was common business practice for its debtors, in this case one

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of its customers, to arrange payment for gas (or other expenses) on its behalf via an endorsed bank bill. These payments are offset against the amount owed to Jinfei Kaida by that debtor.

6.2.7 SG&A expenses

The company provided a summary of its calculation of SG&A expenses with its response to the exporter questionnaire CTMS calculations. We matched the total SG&A in the income statement reconciliation (confidential attachment 7) to the 2010 income statement information provided in the exporter questionnaire response.

The company provided a spreadsheet which summarised SG&A allocations for Australian exports and the domestic market (**confidential attachment 23**). They allocated SG&A expenses based on revenue because the company believes the different size wheels should be recorded to incorporate the additional revenue received from the larger wheel sizes.

We verified total sales revenue against Appendix A-5. We then cross matched the total administrative expense and total finance expense. The selling expenses in Appendix A5 include freight expenses which have been separated out in the spreadsheet provided. We were unable to match total selling expenses to the value in the income statement. We asked the company to explain to us how to reconcile this figure, however we were not satisfied with their explanation. We noticed an addition error in the total inland freight expense, which we corrected. However, adding the corrected inland freight amount to the other sales expenses still did not result in an amount that matched the income statement – the amount allocated was less than that in the income statement. In the absence of satisfactory explanation from Jinfei Kaida we have therefore uplifted the SG&A allocation in the questionnaire response to ensure the total amount from the income statement is allocated to domestic and export sales.

We verified the domestic sales and Australian sales values in the provided spreadsheet to Appendix A6.

6.2.8 Conclusion

We are satisfied that the costs submitted by Jinfei Kaida in the domestic cost to make and sell spreadsheets, other than SG&A, represent the actual costs to make and sell aluminium road wheels produced during the investigation period. We have made an adjustment to the SG&A amounts submitted for the reasons set out above.

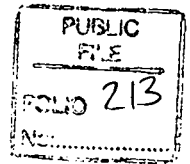
6.3 Cost to make and sell – summary

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

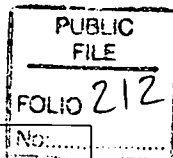
- determining a constructed normal value; and
- assessing ordinary course of trade of domestic sales.

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The cost to make and sell calculations are at confidential appendix 2.



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7 DOMESTIC SALES

7.1 General

7.1.1 Domestic market

The company advised that its domestic sales are to two market segments – OEM and aftermarket (AM). Within the AM, Jinfei Kaida sells to distributors, traders and retailers. We also noticed sales to related parties totalling █% of the total domestic sales quantity, and █% of total domestic sales value.

Jinfei Kaida considers itself in the top 3 aluminium wheel producers in China.

7.1.2 Pricing

For all sales, pricing is determined with consideration to aluminium prices. The selling prices are the same for all provinces and regions, and are determined by whether the customer is in the AM or OEM market segment and other factors such as volume of orders. There are no warranties or after sales services, other than that if the wheel is defective or damaged during delivery.

Aftermarket sales are based on a price list that is updated regularly, taking into account changes in costs, particularly costs of raw materials. Jinfei Kaida provided us with a price list for its domestic after market sales (**confidential attachment 13**) and its standard contract for sales to after market customers (**confidential attachment 12**). The contract specifies that the price of wheels is based on fluctuations in the spot price for A00 aluminium ingots on the Shanghai Yangtze River Exchange, and that when that price fluctuates by more than 5% for a period of more than one month, an adjustment in the selling price of ARWs will be made.

For OEM sales, a price is agreed in a contract which is more complex, and takes into consideration the specific vehicle type, purchase volume and other factors. A copy of an OEM sales contract was provided (**confidential attachment 8**).

7.1.3 Domestic sales process – AM customers

For aftermarket customers, an order is placed and Jinfei Kaida manufacture the wheels to order. When production is complete, both parties sign a Letter of Confirmation which details the quantities and models ordered together with total value. Jinfei Kaida informed us that the customer must prepay before delivery takes place. Contrary to the company's advice that customers prepay for orders, in practice we observed that most aftermarket customers make regular payments to the company either by cash or electronic payment method, and that these amounts did not correspond to particular orders. Jinfei Kaida keeps an account for each customer detailing whether they are in credit or debit to them. A copy of an aftermarket domestic accounts receivable ledger was provided (**confidential attachment 9**). We observed that payments were made approximately monthly and the balance reached zero at times throughout a six month period.

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Based on our selection of domestic sales documents we observed that some payments were made in cash paid to the Chairman of the company. These cash payments were recorded on vouchers, and the amounts deposited into the company bank account. We received copies of cash payment vouchers (**confidential attachment 11**).

The goods are delivered by truck, and this is included in the purchase price, although customers have the option to arrange and pay for their own freight, this is usually by air. Jinfei Kaida however, do not pay for the freight, it is paid for by their parent company, Jinfei Holding. Jinfei Kaida does not need to reimburse Jinfei Holding for the freight payment.

The wheels are packaged in individual cardboard boxes, and each wheel has protective packing material placed around the rim of each wheel. No additional packaging is required for domestic sales.

7.1.4 Domestic sales process – OEM customers

OEM customers first negotiate the wheel model and design with Jinfei Kaida. Once agreed, a contract is negotiated which specifies quantities of each wheel to be delivered over a period and the prices over that time. Delivery is by truck to a warehouse, both of which are paid for by Jinfei Holding, (who do not invoice Jinfei Kaida for this service). Customers are not invoiced for delivery and warehousing fees. The customer only pays for wheels, and only the amount of wheels they take out of the warehouse, rather than the total amount delivered to the warehouse. OEM customers pay periodically and in instalments.

Jinfei Kaida provided a copy of an OEM customer domestic account receivable ledger (**confidential attachment 10**). We noted periodic payments were made that typically did not correspond with invoice values.

7.2 Domestic sales verification

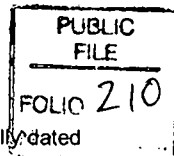
7.2.1 Completeness

We are satisfied that information in Appendices A-5 and A-6 are complete, as discussed in section 5.4.1 above.

Sales are recorded into Jinfei Kaida's financial system. When invoices are issued, the sales department submits these details to the financial department for input into the financial system on a monthly basis. The company explained that its Appendix D-4 was compiled by extracting the relevant sizes of the goods by sorting through every order and extracting sizes based on the model description. As all wheels produced are car wheels, and all finishes fall within the goods description, no further sorting was required. We viewed the sales ledger, and noted that goods without a size were decorative caps.

We noticed a number of sales records in Appendix D-4 which did not include a date of sale, or an invoice number. Jinfei Kaida explained that ordinarily the invoice is issued when the customer requests one these sales were for three customers that did not request an invoice. For one customer, the sale date was able to be recovered

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from records other than an invoice, while the other two records were nominally dated 30 June 2011 as end of financial year accounting adjustments. A journal entry demonstrating the adjustment to recognise the income not invoiced was provided (**confidential attachment 6**).

7.2.2 Accuracy

We selected 8 transactions from Appendix D-4 and requested the supporting documentation for verification (**Confidential attachment A**). The quantity and value details from the documents matched the details in a revised Appendix D-4 provided at the visit by the company. There were variances found in payment amounts which were explained by the period payments examined in section 7.1 above.

Some of the requested documentation was missing for some selected sales transactions. The missing documentation was provided at the visit when requested.

Based on the information provided we are satisfied that the domestic sales volume and value in Appendix D-4, as amended at the visit, are accurate.

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

7.3 Arms length transactions

In respect of Jinfei Kaida's domestic sales of ARWs, we found no evidence that:

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

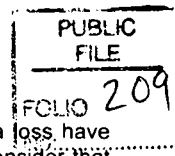
We consider the domestic sales of ARWs by Jinfei Kaida were arm's length transactions, excluding sales to related parties. We have not included the sales to Jinfei Holding in our analysis as they represent the transfer of product to Jinfei Holding for the purpose of export.

7.4 Ordinary course of trade

We compared the unit net price paid for each domestic sale (of the same product codes to those exported to Australia) to the CTMS for the corresponding month. We found that the volume of profitable sales was approximately ■% of the total volume.

We then compared the selling prices of the loss making sales with the weighted average CTMS for the investigation period to test whether some of those sales may be taken to be recoverable within a reasonable period of time. We noted the remaining unprofitable sales where the costs of the goods were not recoverable over a reasonable period of time represented approximately ■% of the total volume.

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Therefore, in accordance with s. 269TAAD, we consider that sales at a loss have occurred in substantial quantities (greater than 20% by volume). We consider that the unprofitable sales where the costs of the goods were not recoverable over a reasonable period of time are not made in the ordinary course of trade. We have therefore rejected such sales when considering domestic sales as the basis of normal value.

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

7.5 Volume and suitability of domestic sales

In relation the goods exported to Australia, the quantities of domestic sales of identical goods was greater than 5% of the volume of the ARWs exported to Australia, after the ordinary course of trade test has been conducted, for all sizes and finishes. We have used the domestic sale price for the purpose of determining normal value for all sales.

7.6 Sales by other sellers

We are aware that certain other ARWs manufacturers based in China that exported the goods to Australia in the investigation period are being visited as part of this investigation. It is possible that the domestic sales by those other sellers could be used as an alternative basis for normal value for Jinfei Kaida.

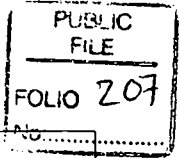
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8 THIRD COUNTRY SALES

As we considered that we were in possession of enough verified information from the submission and our visit to calculate normal values using domestic sales or a construction method, we did not undertake verification of the third country data.

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9 ADJUSTMENTS

We considered whether any adjustments were required for domestic selling prices to ensure they were properly comparable to export prices of aluminium road wheels exported to Australia.

We calculated an export price at FOB level and therefore sought to calculate a EXW normal value at the same level.

In its response to the exporter questionnaire Jinfei Kaida claimed the following adjustments:

9.1 Inland freight

As discussed in the preceding sections, we verified the inland freight costs for domestic and export sales and were satisfied that the amounts included in the response to the exporter questionnaire are accurate. We made a downwards adjustment to the normal value for domestic inland freight, and an upwards adjustment for freight to the port.

9.2 Terminal handling charges

We made an upwards adjustment to the normal value based on the verified information for terminal handling charges.

9.3 Level of trade

Jinfei Kaida sells domestically to both the OEM and AM markets. Its exports to Australia are exclusively for the AM market. In its response to the exporter questionnaire it stated that its selling price to OEM customers is lower than that to AM customers. Based on the domestic sales data provided we observed that the weighted average unit price of sales to AM customers is RMB ■■■, or ■■■%, higher than the weighted average unit price of sales to OEM customers.

As the volume of domestic sales to non-OEM customers is 14 times greater than the volume of export sales to Australia we have excluded sales to OEM customers from the assessment of the dumping margin. We consider this more reasonable than attempting to calculate an adjustment for the price difference between OEM and AM customers, given the different surface treatments, designs and dimensions between the two markets.

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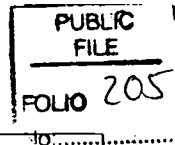
10 NORMAL VALUE

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values under s. 269TAC(1). We have made adjustments to the normal value under s. 269TAC(8) and s. 269TAC(9), as applicable, for inland freight and terminal handling charges.

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

Normal value calculations are at confidential appendix 4.

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11 DUMPING MARGINS

We calculated a dumping margin of -3.06%

Calculation of the dumping margin is at confidential appendix 4.

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

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12 COUNTERVAILING

In its response to exporter questionnaire, Jinfei Kaida identified 40 subsidies it had received since 2007, and 10 of these, worth RMB [REDACTED], were received during the investigation period.

12.1 Preferential tax rate

In its questionnaire response Jinfei Kaida stated that before 2008 it was in receipt of a preferential income tax rate because it is an FIE. This may fall under Program 6,9 or 11. As a result, Jinfei Kaida received two years' tax exemption followed by three years at half rate. The last time Jinfei Kaida received this benefit was 2010. This is because the benefit only lasts 3 years, and 2010 was the final year the company was able to claim the benefit. Its tax rate in 2010 was 12.5%.

For 2011, Jinfei Kaida informed us that they will pay a tax rate of 15% because of a subsidy for 'high and new technology enterprise.' To qualify as a high-tech enterprise, Jinfei Kaida must spend a certain percentage on R&D, and the administration must be at a specified standard. We were provided with a copy of this policy (**confidential attachment 37**), and the relevant application form (**confidential attachment 36**).

12.2 Tariff and VAT exemption on imported equipment

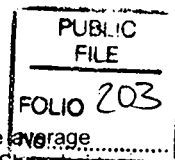
Jinfei Kaida identified that it receives a VAT exemption on imported equipment purchases. They explained that the program is open to FIEs who import equipment considered to be 'high technology.' Whether equipment is classified as high technology is determined by Chinese Customs authorities, who revise a list annually. The tariff and VAT exemption is received by first making an application under the program for each import, and if the application is accepted, when Customs is cleared, a document is generated that shows the exemption.

The company stated that they had not applied for this program at any time in the last 3 years, and that all records older than 3 years have not been retained. The company was however, able to locate a single VAT exemption, granted in June 2006 for some imported equipment (**confidential attachment 33**).

12.3 Purchase of aluminium ingot at less than fair value

We asked the company to provide a detailed list of all its purchases of aluminium ingot or alloy during the investigation period. The list provides the identity of the suppliers and producers of the material. We were able to identify that Jinfei Kaida purchased both aluminium alloy and aluminium ingot. Approximately 29% of Jinfei Kaida's aluminium purchases, by volume, was manufactured by SOEs. Some of Jinfei Kaida's purchases were from related parties. As discussed earlier in the report, we were provided with copies of some invoices, price agreements and contracts for purchase of ingot and alloy (**attachments 29, 30, 31, 38, 39**). We also received a copy of the accounts payable ledger for trade with related companies Guizhou Jinfei and Jinfei Holding (**confidential attachment 40**).

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The purchase contracts for aluminium we viewed were each based on the average monthly price of an external market (Shanghai Futures exchange, and Shanghai Changjiang exchange, respectively) plus a processing fee amount per tonne. The processing fee during the investigation period ranged between 800 – 1000 RMB per tonne, depending on the provider. We noticed sales from related parties had a smaller processing fee than from non-related parties. Delivery was included in the price.

12.4 Other subsidies

Receipt of grant in acknowledgement of attendance at international trade show

Jinfei Kaida explained that they received a grant from the local government during the investigation period, which was awarded because the company attended an international trade show. Jinfei Kaida informed us that after travel to an overseas trade show or exhibition, they make an application to receive the grant; that any company can apply; and that there are no special conditions other than after attending overseas showing the local government proof of attendance in order to receive the grant.

Successful patent application grant

This program is at the local government level.

The company explained that anyone can apply for this grant, and will be successful if their patent is approved. In Jinfei Kaida's case, they had several patents approved and took advantage of the program. They informed us that two grants for successful patent applications were awarded to Jinfei Kaida during the investigation period. The company is not sure what the patents were for, and did not provide evidence of the patents.

Grant for completion of a major technology innovation project

Jinfei Kaida received a grant in 2011 for successfully completing a major technology innovation project. They informed us that this grant must be applied for in advance, and that they had applied for the grant in 2008, completed the project in 2009 and had the completed project verified by city government experts, who approved the grant. The company inform us that the major technology innovation was a wheel cast in three pieces.

New projects

Jinfei Kaida received grants from the Science and Technology Bureau of Zhejiang Province. The company advised that after development of a new product it is tested and if it meets the required standard the grant will be provided. The company advised it is not aware of the eligibility criteria and could not provide details of the specific product for which the grant was provided.

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General economic assistance grant

Jinfei Kaida informed us of a grant they receive annually from the city government that they described as for 'foreign trade and economic development assistance urban first funding capital.'

The amount paid under this grant is different in each year. The company informed us that in order to receive this grant, they must make an application to the city government, and in that application nominate the amount of money they wish to receive as a grant. The amount requested does not have to relate to any expense, and the amount received if successful is also not correlated with the amount requested.

Other city government assistance

The company also identified a number of other grants they receive:

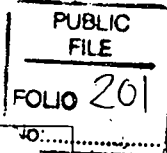
- For 'setting a good example to other companies' in the area of patent applications;
- For provincial acceptance of new product trial production projects after funding;
- For qualifying as a New High Technology Enterprise

For these grants, Jinfei Kaida state that there was no application process, and that they were simply given money by the city government.

12.5 Calculation of benefit

Whether the programs described above constitute countervailable subsidies will be determined by the case team following evaluation of exporter information and responses from the Government of China. We have therefore not conducted preliminary calculations of the benefit attributable to each of the programs described above for the purpose of this visit report.

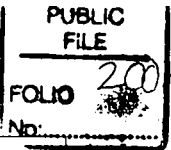
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13 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export price summary
Confidential appendix 2	Cost to make and sell
Confidential appendix 3	Domestic sales summary
Confidential appendix 4	Normal value and dumping margin
Confidential attachment A	Selected sales bundle
Confidential attachment B	Response to Exporter Questionnaire
Confidential attachment 1	Sales contract with Australian customer
Confidential attachment 2	Certificate of name change brochure – Jinfei Holding
Confidential attachment 3	Business registration licence Hong Kong investor
Confidential attachment 4	Price list for Australian customer
Confidential attachment 5	Freight contract
Confidential attachment 6	End of year adjustment to recognise income not invoiced
Confidential attachment 7	Income statement reconciliation
Confidential attachment 8	OEM Sales Contract for January to June 2010
Confidential attachment 9	After market domestic accounts receivable ledger
Confidential attachment 10	OEM domestic accounts receivable ledger
Confidential attachment 11	Cash payment vouchers
Confidential attachment 12	Domestic after market contract
Confidential attachment 13	Domestic after market price list
Confidential attachment 14	Inventory adjustment statement and vouchers for June 2011
Confidential attachment 15	Inventory adjustment statement for melting workshop November 2010
Confidential attachment 16	Main business income breakdown
Confidential attachment 17	Entry sales and inventory balance statement
Confidential attachment 18	'All workshops' summary CTMS
Confidential attachment 19	Melting workshop breakdown spreadsheet
Confidential attachment 20	Production costs by workshop spreadsheet
Confidential attachment 21	Raw material cost allocation statement
Confidential attachment 22	Gravity workshop manufacturing overheads breakdown
Confidential attachment 23	SG&A allocation worksheet
Confidential attachment 24	Electricity invoice and payment remittances for June 2011
Confidential attachment 25	Gas remittance and invoices for June 2011
Confidential attachment 26	Electricity invoice and payment remittances for November 2010 and water invoice and payment remittances for November 2010
Confidential attachment 27	Gas remittance and invoices for November 2010
Confidential attachment 28	Water remittances and invoices for June 2011
Confidential attachment 29	Aluminium ingot contracts and invoices for Jinhua City
Confidential attachment 30	Aluminium ingot contracts and invoices for Ningbo Honggang
Confidential attachment 31	Aluminium ingot contracts and invoices for Jinhua Ronxing
Confidential attachment 32	Sales expense breakdown for November 2010
Confidential attachment 33	Imported equipment purchases VAT exemption
Confidential attachment 34	Application and payment documents for Enterprise Development Subsidy

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Confidential attachment 35	Payment proof for Technological Innovation program grant
Confidential attachment 36	Enterprise development application form
Confidential attachment 37	High technology enterprise (subsidy for reduced tax rate for FIEs) Policy document
Confidential attachment 38	Record of aluminium purchases from related parties
Confidential attachment 39	Price agreement with Guizhou Jinfei for aluminium purchases
Confidential attachment 40	Accounts payable ledger for purchases from Guizhou Jinfei and Jinfei Holding
Confidential attachment 41	Aluminium manufacturer confirmation letter
Confidential attachment 42	Monthly depreciation
Confidential attachment 43	Aluminium purchase ledgers for investigation period