



Australian Government  
Department of Industry,  
Science and Resources

Anti-Dumping  
Commission

# Exporter verification report

## Verification and case details

<b>Initiation date</b>	8/08/2022	<b>Anti-Dumping Notice (ADN)</b>	2022-081
<b>Case number</b>	609		
<b>The goods under consideration</b>	Aluminium Extrusions		
<b>Case type</b>	Review of Measures		
<b>Exporter</b>	Guangdong Jinxiecheng AI Manufacturing Co Ltd		
<b>Location</b>	Virtual verification		
<b>Verification date</b>	28/11/2022	to	7/12/2022
<b>Review period</b>	1/07/2021	to	30/06/2022

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

# PUBLIC RECORD

## Contents

<b>CONTENTS</b> .....	<b>2</b>
<b>INTRODUCTION</b> .....	<b>4</b>
<b>1 COMPANY BACKGROUND</b> .....	<b>5</b>
1.1 CORPORATE STRUCTURE AND OWNERSHIP .....	5
1.2 RELATED PARTIES .....	5
1.3 ACCOUNTING RECORDS .....	5
<b>2 GOODS UNDER CONSIDERATION AND LIKE GOODS</b> .....	<b>6</b>
2.1 PRODUCTION PROCESS .....	6
2.2 MODEL CONTROL CODES.....	7
2.3 VERIFICATION OF MODEL CONTROL CODES.....	8
2.4 THE GOODS EXPORTED TO AUSTRALIA AND DOMESTIC LIKE GOODS .....	8
2.5 LIST OF MODEL CONTROL CODES.....	9
2.6 LIKE GOODS ASSESSMENT .....	9
<b>3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE</b> .....	<b>10</b>
3.1 SALES COMPLETENESS AND RELEVANCE EXCEPTIONS .....	10
3.2 SALES COMPLETENESS AND RELEVANCE FINDING .....	10
<b>4 VERIFICATION OF SALES ACCURACY</b> .....	<b>11</b>
4.1 SALES ACCURACY EXCEPTIONS .....	11
4.2 SALES ACCURACY FINDING .....	11
<b>5 VERIFICATION OF COST TO MAKE AND SELL COMPLETENESS AND RELEVANCE</b> .....	<b>12</b>
5.1 COST TO MAKE AND SELL COMPLETENESS AND RELEVANCE EXCEPTIONS .....	13
5.2 COST TO MAKE AND SELL COMPLETENESS AND RELEVANCE FINDING .....	13
<b>6 VERIFICATION OF COST TO MAKE AND SELL ACCURACY</b> .....	<b>14</b>
6.1 COST TO MAKE AND SELL ACCURACY EXCEPTIONS .....	14
6.2 COST ALLOCATION METHOD.....	14
6.3 COST TO MAKE AND SELL ACCURACY FINDING .....	15
<b>7 EXPORT PRICE</b> .....	<b>16</b>
7.1 BACKGROUND .....	16
7.2 THE IMPORTER.....	16
7.3 THE EXPORTER .....	16
7.4 AUSTRALIAN EXPORT ARMS LENGTH ASSESSMENT .....	17
7.5 EXPORT PRICE ASSESSMENT .....	17
<b>8 DOMESTIC SALES</b> .....	<b>18</b>
8.1 BACKGROUND .....	18
8.2 DOMESTIC ARMS LENGTH ASSESSMENT .....	18
8.3 ORDINARY COURSE OF TRADE ASSESSMENT .....	19
8.4 PROFIT ASSESSMENT .....	19
<b>9 ADJUSTMENTS</b> .....	<b>21</b>
9.1 RATIONALE AND METHOD .....	21
9.2 ADJUSTMENTS .....	22
<b>10 NORMAL VALUE</b> .....	<b>23</b>
10.1 CONSTRUCTED NORMAL VALUE .....	23
<b>11 DUMPING MARGIN</b> .....	<b>24</b>

## PUBLIC RECORD

<b>12</b>	<b>SUBSIDIES</b> .....	<b>25</b>
12.1	LESS THAN ADEQUATE REMUNERATION .....	25
12.2	TAX BENEFITS .....	25
12.3	FINANCIAL GRANTS .....	25
12.4	PREFERENTIAL INTEREST RATE/LOANS .....	25
12.5	SUBSIDY MARGIN .....	26
<b>13</b>	<b>APPENDICES AND ATTACHMENTS</b> .....	<b>27</b>

## **Introduction**

Guangdong Jinxiecheng AL. Manufacturing Co., Ltd (Jinxiecheng) submitted data to the Anti-Dumping Commission (the commission) in response to an exporter questionnaire for Review of Measures 609 (case 609) into Aluminium Extrusions from The People's Republic of China (China).

A verification team (the team) has verified whether the data Jinxiecheng submitted is complete, relevant and accurate for use in case 609. [Anti-Dumping Notice \(ADN\) 2016/30](#) describes the commission's verification procedure.

This report explains the team's key findings, including the evidence considered and material issues identified. Where Jinxiecheng or the team materially revised the submitted data, this report outlines the nature, extent and outcomes of these revisions.

The commission prepared this report to publish on the electronic public record for case 609.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901 (Cth)* (the Act).<sup>1</sup>

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<sup>1</sup> All legal citations in this report are to the Act unless otherwise stated.

## **1 Company background**

### **1.1 Corporate structure and ownership**

Jinxiecheng is a private limited liability foreign investment company, based in Guangdong Province, China. Jinxiecheng's main operations are the manufacture and sale of aluminium profile products. Its operations include the manufacture and sale of a small amount of aluminium billet and further processing for third parties. Its business licence also permits the manufacture of stainless steel and bronze products, but Jinxiecheng confirmed during verification that it does not manufacture these products.

Jinxiecheng sells primarily to domestic companies as well as internationally, including directly to Australia.

Prior to the period of review (POR) Jinxiecheng used to sell into Australia through a trader, but has not done so since 2020.

Jinxiecheng's sole shareholder, Jinxiecheng Al Co.,Ltd, was set up in Samoa on 24 September 2003.<sup>2</sup>

### **1.2 Related parties**

The team found no related party customers or suppliers involved in Jinxiecheng producing or selling the goods during the review period.

### **1.3 Accounting records**

Guangzhou Xinkaicheng Certified Public Accountants audited Jinxiecheng's audited financial statement and included a statement that the financial accounts comply with the corporate accounting system in all material aspects and that the audit was carried out in accordance with the auditing standards applying to Chinese certified public accountants.

Therefore, the team considers that the accounting records held by the company comply with the generally accepted accounting principles of China.

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<sup>2</sup> This date differs to the exporter questionnaire, which stated that the holding company was established on 15 October 2003, but was confirmed during verification.

## 2 Goods under consideration and like goods

### 2.1 Production process

Jinxiecheng's production process is separated across 5 workshops: casting, extrusion, anodising, powder coating and further processing. There is no difference in the production of domestic or exported goods.

- **Casting workshop:** Primary raw materials, being aluminium ingot and aluminium scrap, both purchased and produced by Jinxiecheng, and a small volume of other materials, such as magnesium ingot, are smelted in a furnace and cast into aluminium billets.
- **Extrusion workshop:** Aluminium billets are taken to the extrusion workshop and then extruded through a die using a hydraulic extrusion press and heat treated through a hot circulation aging furnace to produce mill extrusions. Jinxiecheng recognises these mill extrusions as 'semi-mill finished' extrusions. Extrusions at this stage are unpackaged.

The next stage is dependent on the desired finish or if further work is required.

- **Anodising** – Jinxiecheng transfers semi-mill finished extrusions from the extrusion workshop to the anodising workshop if the extrusion is destined for one of the following finishes:
  - Mill finish
  - Anodised
  - Electrophoresis

Mill finish – semi-mill finished extrusions are transferred from the extrusion workshop to the anodising workshop where they are packed and recognised as mill finished goods.

Anodised – semi-mill finished extrusions are pre-treated using a sand blasting machine, then go through an anodic oxidation process in a surface treatment tank, oxidation powder and colouring control system, resulting in an anodised extrusion. The anodised extrusion is packed and recognised as anodised finished goods.

Electrophoresis – anodised goods go through the electrophoretic coating process using the electrophoresis system and the curing oven, resulting in an electrophoretic extrusion. The electrophoretic extrusion is packed and recognised as electrophoresis finished goods.

- **Powder coating:** Jinxiecheng transfers the semi-mill finished extrusion from the extrusion workshop to the powder coating workshop. The mill extrusion is firstly pre-treated in the spraying pre-treatment tank, then the powder coating is applied in a electrostatic spraying process using the electrostatic spraying system. It then goes through a bake curing process in the curing oven, resulting in powder coated extrusion. The powder coated extrusion is packed and recognised as powder coated finished goods.

Jinxiecheng also outsources a small volume of the powder coating process to a third-party for particular goods where, due to the extrusion shape, Jinxiecheng does not have suitable equipment for powder coating. Once the outsourced powder coated goods are returned to Jinxiecheng, they are then packed and recognised as finished goods.

## PUBLIC RECORD

- **Further processing** – If goods require further work, Jinxiecheng takes the mill extrusion, anodised extrusion, electrophoresis extrusion or the powder coated extrusion to the further processing workshop prior to packing, where further work is performed, such as cutting to length or holes drilled. Extrusions are then returned to their respective workshops where they are packed. However, they are recognised as finished goods in the further processing workshop, despite being packaged in their respective workshops.

During the production process, scrap is generated in the extrusion workshop, anodising workshop, powder coating workshop and further processing workshop. The aluminium scrap is returned as raw material in the casting workshop to produce aluminium billets. During the review period, Jinxiecheng did not sell any of its self-generated scrap externally to third parties. However, Jinxiecheng purchased aluminium scrap from third parties to use as raw material in the production of aluminium billets.

Packaging used by Jinxiecheng for its extrusions can vary by customer and even on an individual transaction basis. However, there are generally some differences between goods destined for domestic sale and those destined for export. Certain packaging materials are only used in export sales, including wooden trays, paper cartons and metal frames, with their use dependent on customer requirements.

## 2.2 Model control codes

The sales and costs data Jinxiecheng submitted complies with the model control code (MCC) structure detailed in ADN 2022/081.

### 2.2.1 Amendments to model control codes

Jinxiecheng provided the mandatory MCC data for its Australian and domestic sales, as well as optional MCC data for 'Temper code'. It did not provide sales data for the final optional MCC, 'Anodising Microns', however, advised during verification that its anodising thickness is 10-15 microns.

Jinxiecheng provided only the mandatory MCC cost data, 'Finish'. It did not report any costs under the 'BD' finish, but included two additional sub-categories, 'Electrophoresis' and 'Further processing'.

**Description:** Jinxiecheng included 2 additional MCC sub-categories within the 'Finish' category, for both sales and costs - 'Electrophoresis' and 'Powder coating'.

**Resolution:** The team was satisfied goods classified under the additional sub-categories were the goods and accepted the inclusion of the additional sub-categories.

#### Exception 1: Additional MCC sub-categories

## 2.3 Verification of model control codes

Table 1 details how the team determined MCC sub-categories and verified them to source documents.

Category	Sub-category verification method
Finish	<p>Purchase orders for both export and domestic sales identify the finish of the goods as part of the product description. Export sales identify the finish in English. For domestic sales:</p> <ul style="list-style-type: none"> <li>• 'Flat blank' is mill finish</li> <li>• 'Milky white' is electrophoresis</li> <li>• 'Silver white' is anodized</li> <li>• 'PF' is powder coated</li> </ul> <p>Product descriptions for further worked goods included the finish, along with additional product code information, such as 'EXTR'.</p>
Alloy code	Purchase orders for both export and domestic sales identify the alloy code and temper code of the goods.
Temper code	
Anodising microns	Not provided.

**Table 1: MCC sub-category determination**

## 2.4 The goods exported to Australia and domestic like goods

### 2.4.1 Australian export goods (the goods under consideration)

The team was satisfied that, during the review period, Jinxiecheng produced the goods under consideration (Australian export goods) and exported them to Australia.

### 2.4.2 Domestic like goods (like goods sold in the domestic market)

The team is satisfied that Jinxiecheng produced and sold like goods for home consumption in its domestic market, being the country of export (domestic like goods).

The team considers that the domestic like goods were identical to, or had characteristics closely resembling, the Australian export goods, because:

- **Physical likeness:** Jinxiecheng does not distinguish between domestic like goods and the Australian export goods during production (although not all MCCs are exported to Australia). Jinxiecheng produces the exported goods and goods sold in the domestic market in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same.
- **Production likeness:** Jinxiecheng produced all goods at the same facilities, using the same raw material inputs and production processes.
- **Commercial likeness:** All goods compete in the same market sector and are interchangeable. However, Jinxiecheng uses different distribution channels between Australian and domestic sales.
- **Functional likeness:** All goods are functionally alike, as they have similar end uses.



## 2.5 List of model control codes

Jinxiecheng produced, sold or both produced and sold the following MCCs during the review period:

Sales MCC	Australian sales	Domestic sales	Costs MCC
A6AT1	Yes	Yes	A
EI6AT1	No	Yes	E
M6AT1	Yes	Yes	M
M6DT1	Yes	No	
M6AT1FC	No	Yes	FP
PC6AT1	Yes	Yes	PC
PC6AT1FC	No	Yes	FP

**Table 2: List of MCCs produced or sold**

## 2.6 Like goods assessment

The team considers that goods Jinxiecheng produced and sold for domestic home consumption had characteristics closely resembling those of the Australian export goods and were therefore 'like goods' in accordance with section 269T(1).

### 3 Verification of sales completeness and relevance

The commission typically verifies sales as complete and relevant by reconciling the revenue and quantity in sales listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the sales listings Jinxiecheng submitted are complete and relevant by reconciling them to the audited financial statements, consistent with ADN 2016/30.

The team verified whether the sales data was complete and relevant as follows:

1. Total revenue for the 2021 financial year (FY2021) as reported in the FY2021 audited financial statement was verified against total revenue for 2021 as reported in the General Ledger.<sup>3</sup> Revenue for January to June 2021 as reported in the General Ledger was deducted from 2021 revenue, and revenue for January to June 2022 was added in order to calculate revenue for the POR.
2. Revenue and the volume of goods sold during the review period was confirmed in the General Ledger by taking total sales and deducting those sales which were not the goods (aluminium billet and processing services fees).
3. Revenue and the volume of goods as reported in the General Ledger was then reconciled to the Australian, domestic and third party export sales listings.

The team identified the issue outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

#### 3.1 Sales completeness and relevance exceptions

**Description:** Jinxiecheng used the VAT invoice date as the Date of sale.

**Resolution:** The team determined that the commercial invoice date best reflects the material terms of sale.

This is because the material terms of the contract, including the type of goods sold, price and volume, are set at the issuing of the commercial invoice, with no further negotiation taking place following the commercial invoice. Jinxiecheng issues the VAT invoice after the commercial invoice, but does not provide this to the customer.

Jinxiecheng provided its Australian sales listing based on VAT invoice dates falling within the review period. At the request of the team, Jinxiecheng provided a revised Australian sales listing. This listing included sales from the quarter prior to the review period, based on the VAT invoice date, to capture all Australian sales made within the review period, based on the commercial invoice date.

#### Exception 2: Date of sale

#### 3.2 Sales completeness and relevance finding

The team is satisfied that the sales data Jinxiecheng submitted is complete and relevant, including any revision outlined in an exception above.

<sup>3</sup> Jinxiecheng's financial year is 1 January to 31 December

## 4 Verification of sales accuracy

The commission typically verifies sales as accurate by reconciling a selection of volume, revenue and other key data in the sales listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the export and domestic sales listings Jinxiecheng submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

The team identified issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

### 4.1 Sales accuracy exceptions

**Description:** The team identified an error in the translation of the payment term in a sampled Australian sale.

**Resolution:** The team requested Jinxiecheng review the payment terms for all Australian sales. Jinxiecheng provided a revised Australian sales listing with corrected payment term.

#### Exception 3: Translation of payment terms

**Description:** In the Australian sales listing, Jinxiecheng calculated an average unit inland transport cost using the total inland transport cost divided by the total volume of Australian and third country export sales. However, this calculation incorrectly includes volumes of sales where no inland transport costs were included (i.e. EXW sales).

**Resolution:** The team calculated an average inland transport cost using only sales that included inland transport costs (i.e. FOB sales).

#### Exception 4: Calculation of Inland transport costs

### 4.2 Sales accuracy finding

The team is satisfied that the sales data Jinxiecheng submitted is accurate, including any revision outlined in an exception above.

## **5 Verification of cost to make and sell completeness and relevance**

The commission typically verifies cost to make and sell (CTMS) as complete and relevant by reconciling the total cost to make (CTM) and selling, general and administrative (SG&A) expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings Jinxiecheng submitted are complete and relevant by reconciling it to audited financial statements, consistent with ADN 2016/30.

The team verified the CTM data as complete and relevant as follows:

1. The FY2021 cost of goods sold (COGS) was reconciled to the FY2021 audited income statement.
2. COGS for POR was reconciled using the FY2021 audited income statement and trial balance. The team adjusted the COGS by deducting the COGS for the period January to June 2021 from the FY2021 audited income statement and adding the COGS for the period January to June 2022. The team verified the COGS for these periods to the accounting system.
3. COGS for the POR was reconciled to the finished goods cost of production by calculating the change in finished goods inventory.
4. The total cost of production was reconciled to various ledgers, including verifying to the accounting system, to ensure that cost relating to non-GUC do not include cost related to the GUC.
5. The team reconciled by finish type the finished goods cost of production to the cost listings.

The team verified the SG&A data as complete and relevant as follows:

1. The FY2021 SG&A expenses in the G-4.1 SG&A listing were reconciled to the total of operating expense, management fees and financial expenses (SG&A expenses) in the FY2021 audited income statement.
2. The POR SG&A expenses in the G-4.1 SG&A listing were reconciled to the SG&A expenses using the FY2021 audited income statement and trial balance. The team adjusted the SG&A expenses by deducting the SG&A expenses for the period January to June 2021 from the FY2021 audited income statement and adding the SG&A expenses for the period January to June 2022. The team verified the SG&A expenses for these periods to the accounting system.
3. The team reviewed Jinxiecheng's chart of accounts to identify other possible SG&A expenses not included in the G-4.1 SG&A listing and calculation.
4. The team reviewed the G-4.1 SG&A listing to identify expenses which should be excluded from the SG&A calculation.
5. The team reviewed the categorisation of direct selling expense in the G-4.1 SG&A listing to ensure that these are reported as a direct selling expense in the sales listing.

## PUBLIC RECORD

6. Direct selling expenses in the sales listing were reconciled to the direct selling expenses identified in the G-4.1 SG&A listing.

The team identified the issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

### 5.1 Cost to make and sell completeness and relevance exceptions

**Description:** During the verification, Jinxiecheng confirmed that the cost of outsourced powder coated goods is not included in the cost listing.

**Resolution:** Jinxiecheng provided all the cost and volume in relation to the outsourced powder coated goods. The team revised the cost listing to include the outsourced powder coating costs to the cost listing.

#### Exception 5: Include outsourced powder coated goods in CTM listing

**Description:** In reviewing Jinxiecheng's accounts, the team identified other expenses which should be included in the SG&A calculation and other expenses and direct selling expenses which should be excluded from the SG&A calculation.

**Resolution:** The team revised the SG&A listing to include and exclude expenses in the SG&A calculation as appropriate.

#### Exception 6: Amendment to SG&A calculation

### 5.2 Cost to make and sell completeness and relevance finding

The team is satisfied that the CTMS data Jinxiecheng submitted is complete and relevant, including any revision outlined in an exception above.

## **6 Verification of cost to make and sell accuracy**

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings Jinxiecheng submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

The team identified the issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

### **6.1 Cost to make and sell accuracy exceptions**

**Description:** In reviewing and reconciling the raw material purchase list to the ledger, the team noted that the purchase list included raw material purchases outside the review period along with a variance between the purchase list and the ledger.

**Resolution:** Jinxiecheng explained that the ledger includes raw material purchases from outside the review period. Jinxiecheng provided a revised raw material purchase list that only included invoices dated within the review period. The team reviewed the revised raw material purchase list and found one invoice dated outside the review period which was removed from the purchase list.

#### **Exception 7: Amendment to raw material purchase list**

**Description:** The delivery term reported in the raw material purchases is 'EXW'. However, source documents state that supplier is responsible for delivery, including cost. The team queried this with Jinxiecheng in which they confirmed that there is no delivery cost to Jinxiecheng and that delivery term 'EXW' is incorrect.

**Resolution:** The team amended the raw material purchases to report delivery term as 'Delivered'.

#### **Exception 8: Amendments to the delivery term in raw material purchase list**

### **6.2 Cost allocation method**

Table 3 outlines how the team allocated each cost component.

<b>Cost component</b>	<b>Method applied</b>
Raw materials	Jinxiecheng uses the weighted average cost of raw materials to allocate to goods based on production quantity.
Scrap offset	Jinxiecheng calculates the unit cost of scrap offset as a percentage of the previous month's weighted average purchase price of aluminium ingot and aluminium billet. It then allocates the unit scrap offset based on production quantity.
Direct labour	Jinxiecheng allocates labour cost based on the number of employees in each workshop. In the anodising workshop allocation to mill finish is based on production quantity at a fixed rate, and allocation between anodised and electrophoresis is based on production quantity using a ratio based on Jinxiecheng's past practice and experience.

## PUBLIC RECORD

Gas, Water	Jinxiecheng allocates gas and water expenses based on the actual consumption in each workshop. In the anodising workshop, gas and water is only allocated between anodised and electrophoresis, based on production quantity using a ratio based on Jinxiecheng's past practice and experience.
Electricity	Jinxiecheng allocates electricity expense based on the actual consumption in each workshop. In the anodising workshop, allocation to mill finish is based on production quantity at a fixed rate, and allocation between anodised and electrophoresis is based on production quantity using a ratio. However, there is also a separate electricity expense which is only allocated to electrophoresis.
Depreciation	Jinxiecheng allocates depreciation cost based on a fixed asset list according to each workshop. In the anodising workshop allocation to mill finish is based on a monthly fixed rate, and allocation between anodised and electrophoresis is based on production quantity using a ratio based on Jinxiecheng's past practice and experience.

**Table 3: Cost allocation method**

### **6.3 Cost to make and sell accuracy finding**

The team is satisfied that the CTMS data Jinxiecheng submitted is accurate and reasonably reflects the costs associated with the production and sale of the goods, including any revision outlined in an exception above.

## **7 Export price**

### **7.1 Background**

Section 269TAB states the general rules for calculating export price. Under this section, the commission assesses the following to identify the correct method of calculating export price:

- Who is the importer?
- Who is the exporter?
- Did the importer purchase from the exporter at arms length?

This chapter discusses how the team assessed Jinxiecheng's Australian export sales.

### **7.2 The importer**

The team considers that the customer listed for each sale of the Australian export goods was the beneficial owner of these goods at the time of importation into Australia and, therefore, the importer. For each sale, the relevant customer:

- was named as the recipient on the commercial and VAT invoice
- was named as the consignee on the bill of lading
- was responsible for importation charges as commercial terms are either EXW or FOB
- was named as the importer on the importation declaration to ABF

### **7.3 The exporter**

The team considers Jinxiecheng to be the exporter of the Australian export goods because Jinxiecheng:<sup>4</sup>

- is the manufacturer of the goods located in China
- is named as the manufacturer on the commercial invoice
- is named as the seller on the VAT invoice
- is named as the shipper on the bill of lading
- for goods sold FOB, arranged and paid for inland transport and port handling charges at the port of export.

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<sup>4</sup> The commission generally identifies the exporter as a principal in transacting the Australian export goods, located in the country of export and either:

- gave up responsibility by knowingly placing the goods in the hands of another company, or its own vehicle, for delivery to Australia
- owned the goods, either at the time the goods were shipped or previously.



## **7.4 Australian export arms length assessment**

### **7.4.1 Unrelated customers**

The team assessed whether Jinxiecheng sold the Australian export goods at arms length to any unrelated customers during the review period.

The team found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The team notes that Jinxiecheng:

- sold goods at similar prices to all unrelated customers
- referred to the price of raw materials, processing fee and an amount for profit when determining selling price to the Australian market
- appeared to genuinely negotiate the price with unrelated customers.

The team therefore considers that, for all the unrelated customer sales, Jinxiecheng sold the Australian export goods at arms length.<sup>5</sup>

### **7.4.2 Related customers**

Jinxiecheng made no sales to any related customers during the review period.

## **7.5 Export price assessment**

In respect of Australian sales of the goods by Jinxiecheng, the team recommends that the export price be determined under section 269TAB(1)(a), being the price paid by the importer to the exporter less transport and other costs arising after exportation. To ensure that the ascertained export price is calculated using a consistent delivery term, the team has added an amount for inland transport and/or port charges where required to certain export transactions.

The team has calculated export price at **confidential appendix 1**.

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<sup>5</sup> See section 269TAA.

## 8 Domestic sales

### 8.1 Background

Section 269TAC states the general rules for calculating normal value.

Under section 269TAC(1), the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade (OCOT) for home consumption in the country of export in sales that are arms length transactions or, if like goods are not so sold by the exporter, by other sellers of like goods.

Section 269TAC(2) sets out how normal value is to be ascertained if it cannot be ascertained under section 269TAC(1). In particular, if, in accordance with section 269TAC(2)(a)(ii), the Minister<sup>6</sup> is satisfied that the normal value of the goods exported to Australia cannot be ascertained under section 269TAC(1) because ‘the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under [section 269TAC(1)]’<sup>7</sup>, the normal value is such amount as the Minister determines in accordance with sections 269TAC(2)(c) or 269TAC(2)(d).

#### 8.1.1 Particular market situation

The current variable factors applying to exporters of the goods from China, including Jinxiecheng, were ascertained in Continuation Inquiry 543 (case 543). Case 543 included a finding that the situation in China was such that sales in its domestic market were not suitable for determining a price under section 269TAC(1). In case 543, normal values for cooperating exporters were calculated under section 269TAC(2)(c).

Case 609 is examining whether the particular market situation continues to apply. The commission’s findings will be outlined in the statement of essential facts (SEF).

In the interim, the team have prepared this report consistent with case 543 and have preliminarily calculated Jinxiecheng’s normal value under section 269TAC(2)(c). This is subject to change.

### 8.2 Domestic arms length assessment

#### 8.2.1 Unrelated customers

The team assessed whether Jinxiecheng sold like goods domestically at arms length to any unrelated customers during the review period.

The team found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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

<sup>6</sup> The Minister for Industry, Science and Resources.

<sup>7</sup> The commission refers to this situation as a ‘particular market situation’.

## PUBLIC RECORD

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

The team notes that Jinxiecheng:

- referred to the price of raw materials, processing fee, complexity of product and an amount for profit when determining selling price to the domestic market
- appeared to genuinely negotiate the price with unrelated customers.

The team therefore considers that, for all the unrelated customer domestic sales, Jinxiecheng sold at arms length.<sup>8</sup>

### 8.2.2 Related customers

Jinxiecheng made no sales to any related customers during the review period.

### 8.3 Ordinary course of trade assessment

Section 269TAA states that domestic sales of like goods are not in the OCOT if arms length transactions are both:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.<sup>9</sup>

For domestic sales of like goods, the team assessed:

- if each sale was unprofitable by comparing the price to the relevant CTMS
- if each MCC had substantial quantities of unprofitable sales by calculating the volume of unprofitable sales as a percentage of total sales
- if any unprofitable sale was unlikely to be recoverable by comparing the price to the relevant weighted average CTMS.

The following table summarises the figures the team used to assess OCOT:

OCOT particulars	Details
Price	Net invoice price
Cost	Quarterly CTMS
Weighted average cost	Weighted average CTMS over the review period

Table 4: OCOT details

### 8.4 Profit assessment

Where the commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be worked out under section 45 of the *Customs (International Obligations) Regulation 2015* (Cth) (the Regulation).

<sup>8</sup> See section 269TAA.

<sup>9</sup> The commission generally considers the inquiry, investigation or review period – whichever applies in the given case – is the relevant ‘extended period’ and ‘reasonable period’.

## **PUBLIC RECORD**

The team calculated an amount of profit based on the profit achieved on all domestic sales of like goods in the OCOT in accordance with section 45(2) of the Regulation.

The team's domestic profit calculation is at **confidential appendix 3**.

## 9 Adjustments

To properly compare an export price of the Australian export goods to the corresponding normal value, the team considered applying each of the following adjustments.

### 9.1 Rationale and method

Adjustment type	Adjustment assessment	Calculation method and evidence	Did Jinxiecheng claim this adjustment?	Did the team apply the adjustment?
Domestic credit terms	Domestic sales payment terms and actual payment terms varied. A downward adjustment to the normal value is required to ensure a fair comparison to the EXW/FOB export price.	The team has calculated the unit credit cost as equal to Net unit invoice value × Interest rate × Payment days/365, with the Interest Rate equal to Jinxiecheng's short-term borrowing rate.	Yes	No  This adjustment is not required if normal value is to be determined under section 269TAC(2)(c).
Domestic inland transport	All domestic sales are at EXW, no adjustment required.	Not applicable	No	No
Export packaging	Export sales require additional packaging. An upward adjustment to the normal value is required to ensure a fair comparison to the export price.	Weighted average unit cost based on total export packaging costs.	Yes	Yes
Export inland transport, port handling and other charges	Export sales are calculated at FOB terms. An upward adjustment to the normal value is required to ensure a fair comparison to the FOB export price.	Weighted average unit cost based on total costs incurred for goods exported at FOB or CNF to Australia and third countries.	Yes	Yes
Export credit terms	Export sales payment terms and actual payment terms varied. An upward adjustment to the normal value is required to ensure a fair comparison to the export price.	The team has calculated the unit credit cost as equal to Net unit invoice value × Interest rate × Average export credit term/365, with the Interest Rate equal to Jinxiecheng's short-term borrowing rate.	Yes	Yes

**Table 5: Assessment of adjustments**

## **9.2 Adjustments**

The team recommends the following adjustments so to properly compare export price of the Australian export goods to the corresponding normal value.

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Export packaging	Add an amount for export packaging
Export inland transport, port handling and other charges	Add an amount for export inland transport, port handling and other charges
Export credit terms	Add an amount for export credit terms

**Table 6: Summary of adjustments**

## 10 Normal value

As mentioned in chapter 8, case 609 is examining whether the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1), in accordance with section 269TAC(2)(a)(ii). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c). The commission is currently considering these claims and will make a determination in the SEF.

However, on the basis of the commission's findings in case 543, the team has preliminarily calculated Jinxiecheng's normal value under section 269TAC(2)(c) for the purpose of this report, which is subject to change.

### 10.1 Constructed normal value

The team has constructed Jinxiecheng's normal value under section 269TAC(2)(c) using the sum of:

- the cost to make that reasonably reflect competitive market costs
- SG&A on the assumption that the goods, instead of being exported, were sold for home consumption in the OCOT in the country of export based on the company's records in accordance with section 44(2) of the Regulation
- an amount for profit based on data relating to the production and sale of like goods in the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

The team's normal value calculations are at **confidential appendix 3**.

#### 10.1.1 Cost of production

The case management team has assessed the primary aluminium input costs in the Australian export CTM calculation for Jinxiecheng and determined that the costs do not reasonably reflect competitive market costs associated with the production of like goods.

The team has applied a competitive benchmark cost for primary aluminium provided by the case management team, consistent with that used in case 543.

#### 10.1.2 SG&A expenses

The team has used Jinxiecheng's SG&A based on its records.

#### 10.1.3 Profit

As mentioned in chapter 8, the team calculated an amount of profit based on the profit achieved on all domestic sales of like goods in the OCOT in accordance with section 45(2) of the Regulation.

#### 10.1.4 Adjustments

The team recommends that certain adjustments are necessary to ensure that normal values are properly comparable with export prices, in accordance with section 269TAC(9) and as outlined in chapter 9.

## 11 Dumping margin

The team calculated Jinxiecheng's dumping margin by comparing weighted average Australian export prices to the corresponding weighted average normal values for the review period under section 269TACB(2)(a).

The team calculated exporter's dumping margin as **negative 7.7%**.

The dumping margin calculation is at **confidential appendix 4**.



## 12 Subsidies

The commission typically verifies subsidy information as complete and relevant by reconciling the list of subsidy programs up to management accounts and then audited financial accounts. The commission typically verifies subsidy information as accurate by reconciling each subsidy program down to source documents. ADN 2016/30 further describes these verification processes.

The team verified whether the subsidy information Jinxiecheng submitted is complete and relevant by reconciling it to audited financial statements, consistent with ADN 2016/30.

The team verified whether the subsidy information Jinxiecheng submitted is accurate by reconciling it to source documents, consistent with ADN 2016/30.

### 12.1 Less than adequate remuneration

The team verified the raw material purchase listing Jinxiecheng submitted as complete and relevant by reconciling it to Jinxiecheng's general ledger. The team verified the listing as accurate by reconciling it to source documents.

The team also collected information on whether a State Invested Enterprise supplied or produced the raw material Jinxiecheng used.

The team identified the issues outlined in the Cost to make and sell completeness and relevance exceptions in chapter 5 of this report. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

### 12.2 Tax benefits

The team verified the income tax information Jinxiecheng submitted as complete and relevant by reconciling it to Jinxiecheng's tax returns. The team verified the information as accurate by reconciling it to proof of payment documents.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

### 12.3 Financial grants

The team verified the financial grants listing Jinxiecheng submitted as complete and relevant by reconciling it to Jinxiecheng's general ledger. The team verified the listing as accurate by reconciling it to source documents.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

### 12.4 Preferential interest rate/loans

The team verified the financial loans information identified by Jinxiecheng as complete and relevant by reconciling it to Jinxiecheng's general ledger. The team verified the listing as accurate by reconciling it to source documents.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

## 12.5 Subsidy margin

The team found that Jinxiecheng received a benefit in relation to grant and tax programs. The team attributed and allocated the received benefit to the Australian export goods as follows:

Program name	Attribution and allocation of the subsidy
Program 109 - Subsidy for employment for disabled person	Jinxiecheng attributed the amount received from this subsidy to all its sales as it was provided for supporting employment of disabled persons. Jinxiecheng then allocated the subsidy to the goods based on the value. This was accepted by the team.
Subsidy of maintenance of employment stability	Jinxiecheng attributed the amount received from this subsidy to all its sales as it was provided for providing flexible employment conditions as a response to the COVID-19 pandemic, for paying unemployment insurance, and that its lay-off rate did not exceed the unemployment rate. Jinxiecheng then allocated the subsidy to the goods based on the value.
Deferred payment of income tax	Jinxiecheng did not report this as a subsidy program. The team has referred this program to the case management team for consideration.

**Table 7: Subsidy programs**

On the basis that the commission finds these programs to be countervailable subsidies (including the deferred payment of income tax), the team has calculated the subsidy margin for Jinxiecheng during the review period as **0.0%**.

The team detailed the subsidy margin calculation in **confidential appendix 5**.

**13 Appendices and attachments**

Confidential appendix 1	Export price
Confidential appendix 2	Cost to make and sell
Confidential appendix 3	Normal value
Confidential appendix 4	Dumping margin
Confidential appendix 5	Subsidy margin
Confidential attachment 1	Verification work program