



## Changshu Longte Grinding Ball Co., Ltd

18 November 2019

### Verification note – single economic entity and cost of production

The purpose of this note is to provide the verification team with a recap of the key features of the production and sales arrangement of the Longte group of companies, and to draw your attention to some of the new features concerning the production and internal supply of the raw materials within the group.

Firstly, as a reminder of the structure and relationship of the Longte group of companies, we refer you to Longte's response to the Exporter Questionnaire ("the EQ response"):

*[CONFIDENTIAL TEXT DELETED – commercial arrangement of affiliated companies in relation to the production and sales of the goods] The Minister considered it appropriate to treat these entities as a single economic entity for the purpose of determining variable factors and resultant dumping margin.*

*Because the producers of the goods under the JV arrangement [CONFIDENTIAL TEXT DELETED – commercial arrangement of Longte and ME Longteng JV] this Exporter Questionnaire is mostly to be found in the financial records of Longte. It is from those records that the information reported in this EQ has mostly been drawn. Relevant information from other parts of the single economic entity is also provided, where applicable, in order to ensure that fully absorbed, comprehensive and accurate cost information pertaining to the goods under consideration is reported to the Commission.*

Further:

*Longte's parent company Longteng is an integrated steel producer which produces and sells a large range specialised steel products, including steel billet and round bar (including grinding bar). Grinding bar is the key material input for grinding ball production. During the POR Longteng supplied most of this grinding bar for Longte and ME Longteng's production of grinding balls.*

In relation to the supply of grinding bar by Longteng, the EQ response noted:

*[CONFIDENTIAL TEXT DELETED – commercial arrangement]*

The production and supply of the grinding bar by Longteng continues from the original investigation, but with some new features. For the original investigation INV316, Longteng [CONFIDENTIAL TEXT DELETED – production arrangements] This has changed. During the review period, Longteng produced and supplied [CONFIDENTIAL TEXT DELETED – supply and production arrangements].

Therefore, the integrated nature of the Longte group of companies' production arrangement has been significantly enhanced and is now the dominant feature of the group.

Further, in the original investigation period, [CONFIDENTIAL TEXT DELETED – previous production arrangements]. During the review period, as shown by the raw material purchase spreadsheet at G-7.4 of the EQ response, [CONFIDENTIAL TEXT DELETED – production arrangements].

Because of:

[CONFIDENTIAL TEXT DELETED – commercial information relating to domestic sales]

the verification team will note that Longte's domestic sales of like goods [CONFIDENTIAL TEXT DELETED – commercial information].

Accordingly, and consistent with the Commission's treatment of the Longte group of companies as an integrated single economic entity, [CONFIDENTIAL TEXT DELETED – build up of integrated cost of production and sales].

[CONFIDENTIAL TEXT DELETED – observation regarding domestic sales of like goods].

Longte has already provided the "cost to make" data relating to the grinding bar produced by Longteng, which is readily verifiable. Longte stands ready to provide whatever further information is requested to support the integrated production cost build up for the GUC and like goods.

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