



Australian Government  
Department of Industry, Science,  
Energy and Resources

Anti-Dumping Commission

## Exporter Questionnaire



CHANGSHU LONGTE GRINDING BALL CO., LTD.

### Changshu Longte Grinding Ball Co., Ltd

**Case number:** 569

**Product:** Certain grinding balls

**From:** People's Republic of China (China)

**Inquiry period:** 1 October 2019 to 30 September 2020  
(the period)

**Response due by:** 20 January 2021

**Extended to 10 February 2021**

**Email enquiries to:** [investigations1@adcommission.gov.au](mailto:investigations1@adcommission.gov.au)

**Anti-Dumping  
Commission website:** [www.adcommission.gov.au](http://www.adcommission.gov.au)

**Responses to the exporter questionnaire must be submitted via SIGBOX.  
Please contact the Commission on the above email address to request  
access to SIGBOX.**

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## INSTRUCTIONS

### Why you have been asked to fill out this questionnaire?

The Anti-Dumping Commission (the Commission) is conducting an inquiry into certain grinding balls exported to Australia from The People's Republic of China(China).

The Commission will use the information you provide to determine normal values and export prices over the inquiry period (the period). This information will determine whether certain grinding balls (grinding balls) is dumped. The Commission will also use this information to determine whether certain grinding balls has been in receipt of countervailable subsidies over the period.

### If you do not manufacture the goods

If you play a role in the export of the goods but do not produce or manufacture the goods (for example, you are a trading company, broker, or vendor dealing in the goods), it is important that you forward a copy of this questionnaire to the relevant manufacturers and inform the Commission of the contact details for these manufacturers **immediately**.

The Commission will still require your company to complete this exporter questionnaire except Section G – Cost to make and sell.

### What happens if you do not respond to this questionnaire?

You do not have to complete the questionnaire. However, if you do not respond, do not provide all of the information sought, do not provide information within a reasonable time period, or do not allow the Commission to verify the information, we may deem your company to be an uncooperative exporter. In that case the Commission must determine a dumping margin having regard to all relevant information.

Therefore, it is in your interest to provide a complete and accurate response to this exporter questionnaire, capable of verification.

### Extension requests

If you require a longer period to complete your response to this exporter questionnaire, you must submit a request to the Commission, in writing, for an extension to the due date for all or part of the questionnaire. This request must be made prior to the due date. A request for extension will be rejected if received after the due date.

When considering the extension request, the Commission will have regard to:

- the Commission's responsibility to conduct the case in a timely and efficient manner;
- the reasons why you could not provide a response within the whole period and not only the period remaining between the request and the due date;
- ordinary business practices or commercial principles;
- the Commission's understanding of the relevant industry;
- previous correspondence and previous dealings with your company; and

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- information provided by other interested parties.

More information on extensions can be found in the Customs (Extension of Time and Non-cooperation) Direction 2015 at <https://www.legislation.gov.au/Details/F2015L01736>.

You will be informed of the decision whether your request for an extension has been rejected, granted in full or granted in part. For example, you may be granted an extension to submit all sections except for Section A or you may be granted a shorter extension than you requested.

A summary of any requests and grants of extensions to submit a response to this exporter questionnaire will be published in the public record.

### Submitting a response to the exporter questionnaire

Responses to the exporter questionnaire should be lodged via SIGBOX, a secure online document repository. Please contact the Commission on the email address listed on the cover page to request access to SIGBOX.

In submitting the response to the exporter questionnaire, you must answer all questions, include all attachments and spreadsheets, and provide a non-confidential version of your response to this exporter questionnaire.

If your response to this exporter questionnaire contains major deficiencies that, in the Commissioner's view, cannot be quickly and easily rectified in a further response, then your company may be considered as an uncooperative exporter.

### Confidential and non-confidential responses

You are required to lodge a confidential version (OFFICIAL: Sensitive) and a non-confidential version (for publishing on the public record) of your response to this exporter questionnaire by the due date. Please ensure that *each page* of information you provide is clearly marked either "**OFFICIAL: Sensitive**" or "**PUBLIC RECORD**".

All information provided to the Commission in confidence will be treated accordingly. The public record version of your questionnaire will be placed on the public record, and must contain sufficient detail to allow a reasonable understanding of the substance of the information without breaching confidentiality.

A person is not required to provide a summary for the public record if the Commission can be satisfied that no such summary can be given that would allow a reasonable understanding of the substance of the information.

All questionnaires are required to have a bracketed explanation of deleted or blacked out information for the public record version of the questionnaire. An example of a statement to accompany deleted/blacked out text is:

[Explanation of cost allocation through the divisions, by reference to machine hours or weight].

If such an explanation is not provided, the Commission may disregard the information in the submission. Where the public record version of your response to the exporter questionnaire does not contain sufficient detail, your company may be requested to resubmit your response with the required level of detail or, if deadlines have passed, the Commission may not have regard to it.

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### **Verification of the information that you supply**

The Commission may wish to conduct a verification of your questionnaire response for completeness, relevance and accuracy of the information to your company's records.

The verification is not meant to be a chance for you to provide new or additional information. The Commission expects your response to the questionnaire to be relevant, complete and accurate.

The verification may include Commission staff visiting your company to conduct on onsite verification<sup>1</sup>. Any onsite verification typically commences approximately 2 to 4 weeks after the due date of the response to the exporter questionnaire. To assist with the planning of a verification, please contact the Commission as soon as possible for a potential verification date to be scheduled.

The onsite verification is usually conducted over 4 days. However, in complex cases, it may be scheduled over 5 days. A verification will include a detailed examination of your company's records and we will collect copies of relevant documents. The verification will require the participation of key staff, including your financial accountant, production manager and sales staff. A tour of the manufacturing facility may also be required during the verification.

The Commission may elect to undertake an alternative verification methodology, rather than an onsite verification, to satisfy itself of the completeness, relevance and accuracy of the data.

Note that the Commission may disregard any data or information that is not verified, including new or additional information provided after the verification visit.

A report will be prepared following the verification, which details the outcomes of the verification. This report will be placed on the public record and may include the publication of the preliminarily-assessed dumping margin. The Commission considers that the dumping margin is not confidential information, but rather an aggregate figure derived from confidential data.

You will be provided with an opportunity to comment on the accuracy and confidentiality of the verification report prior to its publication on the public record.

For information on the Commission's verification procedures, refer to Anti-Dumping Notice No. 2016/30 available on the Commission's website.

### **Important instructions for preparing your response**

- All questions in this exporter questionnaire must be completed. If a question is not applicable to your situation, please answer the question with "Not Applicable" and provide an explanation as to why.
- All questions must be answered in English. An English translation must be provided for documents not originally in English. To the extent that the foreign language version differs, the English translation will be given priority as a matter of interpretation in Australia.
- Clearly identify all units of measurement (e.g. KG) and currencies (e.g. AUD) used. Apply the same measurement consistently throughout your response to the questionnaire.

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<sup>1</sup> The Commission has temporarily suspended onsite verification due to the COVID-19 pandemic (refer to Anti-Dumping Notice No. 2020/29). However, your response to the exporter questionnaire may still be subject to onsite verification should the suspension of onsite verifications be lifted.

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- Label all attachments to your response according to the section of the questionnaire it relates to (e.g. label the chart of accounts as Attachment A-4.6)
- The data must be created as spreadsheet files in Microsoft Excel.
- If you have used formulas to complete spreadsheets, these formulas must be retained and not hard-coded.
- You must retain all worksheets used in answering the questionnaire. Be prepared to provide these worksheets during the Commission's verification of your data.
- If you cannot present electronic data in the requested format contact the case officer as soon as possible.
- Where possible, electronic data should be shared with the Commission via SIGBOX, a secure online document repository. Please contact the Commission to request access to SIGBOX if required.

## CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

<b>Section</b>	Please tick if you have responded to all questions
Section A Company information	✓
Section B Export sales to Australia	✓
Section C Exported goods & like goods	✓
Section D Domestic sales	✓
Section E Due allowance	✓
Section F Third country sales	✓
Section G Cost to make and sell	✓
Section H Particular market situation	✓
Section I Countervailing	N/A
Section J Chinese Market	✓
Section K Production & Production Costs	✓
Section L Australian Market	✓
Exporter's declaration	✓
Non-confidential version of this response	✓

<b>Attachments</b>	Please tick if you have provided spreadsheet
B-2 Australian sales	✓
B-4 Upwards sales	✓
B-5 Upwards selling expenses	✓



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D-2 Domestic sales	✓
F-2 Third country sales	✓
G-3 Domestic CTM	✓
G-4.1 SG&A listing	✓
G-4.2 Dom SG&A calculation	✓
G-5 Australian CTM	✓
G-7.2 Raw material CTM	✓
G-7.4 Raw material purchases	✓
G-8 Upwards costs	✓
G-10 Capacity Utilisation	✓
I-1 Company Turnover	N/A
I-2 Income Tax	N/A
I-3 Grants	N/A
I-4 Tariff and VAT	N/A
I-5 Preferential Loans	N/A

## **GOODS UNDER CONSIDERATION / GOODS SUBJECT TO ANTI-DUMPING MEASURES**

The goods under consideration (the goods) i.e. the goods exported to Australia, allegedly at dumped prices and/or in receipt of countervailable subsidies, are:

The goods subject to anti-dumping measures (the goods) are:

- whether or not containing alloys;
- cast or forged;
- with diameters in the range 22 mm to 170 mm (inclusive).

The following description are excluded from measures:

- stainless steel balls;
- precision balls that have been machined and/or polished; and
- ball bearings.

### **Model Control Code**

Details of the model control code (MCC) structure for the goods are detailed in the table below. Export sales data (Section B-2), domestic sales data (Section D-2) and cost to make and sell data (Section G-3, G-4 & G-5) submitted in this response must follow this MCC structure. At a minimum, the data must report sales and cost data separately for each of the mandatory MCC categories identified by the Commission.

<b>Item</b>	<b>Category</b>	<b>Sub-category</b>	<b>Identifier</b>	<b>Sales Data</b>	<b>Cost data</b>	<b>Key Category</b>
1	Production method	Cast	C	Mandatory	Mandatory	Yes
		Forged	F			
2	Diameter	Diameter in mm	### <sup>2</sup>	Mandatory	Mandatory	Yes
3	Product Code	Internal grade/model	### <sup>3</sup>	Mandatory	Optional	No

<sup>2</sup> Use a separate identifier for each diameter, e.g. 25mm, 30mm 35mm etc. The Commission may group certain categories of diameter in formulating a final MCC.

<sup>3</sup> The 'product code' category, if applicable, refers to the company's internal identifier for the model, grade or type of the goods, differentiated by the chemical composition of the grinding ball.

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In constructing a MCC, use a "-" between each category. For example: For example: C-100-X would indicate cast grinding balls with a 100 mm diameter and grade/model 'X'.

The MCCs will be used to match export models to the identical or comparable domestic models. In addition, the MCCs will be used to determine the profitability of domestic sales in the ordinary course of trade by comparing domestic selling prices to the corresponding cost to make and sell. The MCC may also be used to compare the export price to the cost to make the exported model as part of the constructed normal value.

If there are models manufactured and sold by your company that do not align within the MCC structure above, this should be raised by lodging a submission with the Commission as soon as is practicable, but no later than the time this questionnaire is due, otherwise the response may be considered deficient.

## SECTION A COMPANY INFORMATION

### A-1 Company representative and location

1. Please nominate a contact person within your company:

<b>Name</b>	<b>Ms Jie Chen</b>
<b>Position in the company</b>	<b>Export Manager</b>
<b>Telephone</b>	<b>[CONFIDENTIAL TEXT DELETED]</b>
<b>E-mail address</b>	<b>[CONFIDENTIAL TEXT DELETED]</b>

2. If you have appointed a representative, provide the their contact details:

<b>Name</b>	<b>Charles Zhan Partner, Moulis Legal</b>
<b>Address</b>	<b>6/2 Brindabella Circuit Brindabella Business Park Canberra International Airport Australian Capital Territory Australia 2609</b>
<b>Telephone</b>	<b>+ 61 2 6163 1000</b>
<b>E-mail address</b>	<b>charles.zhan@moulislegal.com</b>
<b>All communications in relation to this matter should be directed to Moulis Legal in the first instance.</b>	

*In nominating a representative, you are granting authority to the Commission to discuss matters relating to the case with the nominated representative, including your company's confidential information.*

3. Please provide the location of the where your company's financial records are held.

**The company's financial records are held at its office address, being No.118 Hualian Rd, Tonggang Industry, Meili Town, Changshu City, Jiangsu Province, China.**

4. Please provide the location of the where your company's production records are held.

**Same as above.**

5. Please provide the location of your company's production plant manufacturing the goods under consideration.

Same as above.

## A-2 Company information

1. What is the legal name of your business?

[CONFIDENTIAL TEXT DELETED – commercial arrangement of affiliated companies in relation to the production and sales of the goods]

In the physical sense, producers of the goods were Longte and [CONFIDENTIAL TEXT DELETED – commercial arrangements].

The information requested by this Exporter Questionnaire is mostly to be found, more directly, in the financial records of Longte. [CONFIDENTIAL TEXT DELETED – commercial arrangements].

2. Does your company trade under a different name and/or brand? If yes, provide details.

Longte trades under its own name for its own production of the goods in the domestic and export market.

The goods produced by ME Longteng [CONFIDENTIAL TEXT DELETED – commercial arrangements].

3. Was your company ever known by a different legal and/or trading name? If yes, provide details

Not applicable.

4. Provide a list of your current board of directors and any changes in the last two years.

[CONFIDENTIAL TEXT DELETED – confidential corporate management information]

5. Is your company part of a group (e.g. parent company with subsidiaries, common ownership, joint-ventures)? If yes, provide:

(a) A diagram showing the complete ownership structure; and

(b) A list of all related companies and its functions

Please refer to Attachment A-2.5 [CONFIDENTIAL ATTACHMENT] for a diagram showing the ownership structure and list of all related companies and functions thereof.

6. Is your company or parent company publicly listed?

If yes, please provide:

(a) the stock exchange where it is listed; and

(b) any principal shareholders<sup>4</sup>

If no, please provide:

(a) a list of all principal shareholders and the shareholding percentages.

**Longte and its parent company are not publicly listed. Please refer to Attachment A-2.5 for shareholding information of Longte.**

7. What is the overall nature of your company's business? Include details of the products that your company manufactures and sells and the market your company sells into.

**Longte is a limited liability company specializing in the production and sale of grinding media both in the domestic and export markets.**

**Longte also functions as the coordinating and facilitating entity in relation to the production of grinding media [CONFIDENTIAL TEXT DELETED – commercial arrangement].**

**Longte's parent company Longteng is an integrated steel producer which produces and sells a large range of 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 inquiry period [CONFIDENTIAL TEXT DELETED – commercial arrangement and production information].**

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

(a) produce or manufacture;

(b) sell in the domestic market;

(c) export to Australia; and

(d) export to countries other than Australia.

**Not applicable, in that these functions are performed by the single economic entity, whilst each of the relevant entities mentioned in A-2.1 perform their own roles.**

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<sup>4</sup> Principal shareholders are those who are able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company.

9. Provide your company's internal organisation chart.

Please refer to Attachment A-2.9 [CONFIDENTIAL ATTACHMENT] for Longte's internal organisation chart.

10. Describe the functions performed by each group within the organisation.

Please refer to Attachment A-2.9, which is self-explanatory.

11. Does your company produce brochures, pamphlets or other promotional material? If yes, please provide them.

Please refer to Attachment A-2.11 [CONFIDENTIAL ATTACHMENT] for Longteng Group's product brochure relating to grinding media.

### A-3 General accounting information

1. What is your financial accounting period?

The accounting period of Longte is from 1 January to 31 December.

2. Are your financial accounts audited? If yes, who is the auditor?

Longte's financial accounts are audited. The auditor is Suzhou Heng'an Accounting Firm.

3. What currency are your accounts kept in?

Longte accounts are kept in Chinese Yuan ("CNY").

4. What is the name of your financial accounting system?

The financial system used by Longte during the inquiry period was [CONFIDENTIAL TEXT DELETED – financial system].

5. What is the name of your sales system?

The sales system used by Longte during the inquiry period is [CONFIDENTIAL TEXT DELETED – sales system].

6. What is the name of your production system?

The production system used by Longte during the inquiry period was [CONFIDENTIAL TEXT DELETED – production system].

7. If your financial accounting, sales and production systems are different, how do the systems interact? Is it electronically or manual? Please provide a detailed explanation and include diagrams.

**As identified above, Longte uses [CONFIDENTIAL TEXT DELETED – financial system] as its integrated financial accounting, sales and production cost recording system.**

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

**Longte's accounting practices comply with the generally accepted accounting principles in China.**

9. Have there been any changes to your accounting practices and/or policies over the last two years? If yes, please provide details.

**Longte has not changed its accounting methods during the last two years.**

#### **A-4 Financial Documents**

1. Please provide the two most recently completed annual reports and/or financial statements for your company and any other related companies involved in the production and sale of the goods.

**Please refer to Attachment A-4.1 [CONFIDENTIAL ATTACHMENT] for Longte's 2018 and 2019 audited financial reports.**

2. If the financial statements in A-4.1 are unaudited, provide for each company:
- (a) the tax returns relating to the same period; and
  - (b) reconciliation of the revenue, cost of goods sold, and net profit before tax between the financial statements and tax returns.

**Not applicable.**

**Please refer to Attachment A-4.1 for Longte's audited financial report of 2018 and 2019.**

3. Does your company maintain different profit centres? If yes, provide profit & loss statements for the profit centre that the goods falls into for:
- (a) the most recent financial year; and
  - (b) the period.



**Longte did not maintain different profit centres in its accounts during the inquiry period .**

4. If the period is different to your financial period, please provide:
- (a) Income statements directly from your accounting information system covering the most recent financial period and the period; or
  - (b) Quarterly or half yearly income statements directly from your accounting system covering the most recent financial period and the period.

**Please refer to Attachment A-4.4 [CONFIDENTIAL ATTACHMENT] for income statements extracted directly from Longte's accounting system covering the most recent financial period of 2019, and the income statements covering the period.**

5. Please provide a copy of your company's trial balance (in Excel) covering the period and the most recent financial year.

**Please refer to Attachment A-4.5 [CONFIDENTIAL ATTACHMENT] for Longte's trial balance covering the period and the most recent financial year, being 2019.**

6. Please provide your company's chart of accounts (in Excel).

*If any of the documents are not in English, please provide a complete translation of the documents.*

**Please refer to Attachment A-4.6 [CONFIDENTIAL ATTACHMENT] for Longte's chart of accounts.**

## SECTION B

### EXPORT SALES TO AUSTRALIA

#### B-1 Australian export sales process

1. Provide details (and diagrams if appropriate) of the export sales process of your company and representatives (e.g. agents) including:
  - (a) Marketing and advertising activities
  - (b) Price determination and/or negotiation process
  - (c) Order placement process
  - (d) Order fulfilment process and lead time
  - (e) Delivery terms and process
  - (f) Invoicing process
  - (g) Payment terms and process

**The Australian sales of the goods during the inquiry period can be broadly classified into two categories.**

**The first category involves the production of the goods in Longte's facility, which were then sold by Longte directly to its unaffiliated Australian customers.**

**[CONFIDENTIAL TEXT DELETED – commercial arrangement in relation to Australian sales].**

**The second category relates to the goods produced in ME Longteng's facility. [CONFIDENTIAL TEXT DELETED – commercial arrangement in relation to Australian sales].**

2. In what currency do you invoice your customers for goods exported to Australia? If it is not in your local currency:
  - (a) Do your customers pay you into a foreign currency denominated account? If yes, provide details;
  - (b) Do you use forward contracts to lock in the foreign exchange rate relating to the export sales? If yes, provide details;
  - (c) How is the exchange rate determined in your accounting system and how often is it updated?

**All Australian sales are made in [CONFIDENTIAL TEXT DELETED – currency and payment terms].**

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3. Are there any customers of the goods exported to Australia related to your company? If yes, please provide a list of each related customer and provide details on how the selling price is set.

**None of the Australian customers are related to Longte or ME.**

**For the export of ME Longteng products, as described above at B-1.1, [CONFIDENTIAL TEXT DELETED – commercial arrangement].**

4. If sales are in accordance with price lists or price extras list, provide copies of these lists.

**As advised in B-1.1 prices are negotiated with each customer in Australia individually and [CONFIDENTIAL TEXT DELETED – Australian sales details].**

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

**[CONFIDENTIAL TEXT DELETED – commercial arrangement in relation to Australian sales].**

6. Did you provide on-invoice discounts and/or off-invoice rebates to any customer or an associate of the customer in relation to the sale of the goods exported to Australia during the period? If yes, provide a description and explain the terms and conditions that must be met by the customer to obtain the discount.

**Longte did not provide such discounts or rebates in relation to the Australian sales of the goods during the inquiry period .**

7. Did you issue any credit or debit notes (directly or indirectly) to the customer or associate of the customer in relation to the sale of the goods exported to Australia during the period? If yes, provide details of the credit/debit notes including the reasons the credit/debit notes were issued.

**Longte did not issue such credit or debit notes in relation to the Australian sales of the goods during the inquiry period.**

8. In establishing the date of sale, the Commission will normally use the date of invoice as it best reflects the material terms of sale. If you are making a claim that a different date should be taken as the date of sale:

(a) what date are you claiming as the date of sale?

(b) why does this date best reflect the material terms of sale?

**Australian sales are reported based on the date of the commercial invoice.**

## B-2 Australian sales listing

1. Complete the worksheet named "B-2 Australian sales"
  - This worksheet lists all sales (i.e. transaction by transaction) exported to Australia of the goods invoiced within the period. This includes exports to Australia sold through a domestic customer.
  - If you have claimed in B-1.8 that the date of sale is one other than the invoice date, then add the sales within your claimed date of sale.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.
  - If there are any direct selling expenses incurred in respect of the exports to Australia not listed in the spreadsheet, add a column. For example, if the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (e.g. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred.

Please refer to the attached [EQR Spreadsheet - B-2 Australian sales](#) [CONFIDENTIAL ATTACHMENT].

2. Complete worksheet "B-2.2 Australian sales source" showing the relevant source of the data used for each column of worksheet "B-2 Australian sales".

Longte prepared the Australian sales listing based on information from the integrated financial system, and the relevant commercial invoices issued during the review period. Expenses are reported based on actual charges by the service providers on a transaction-by-transaction basis.

[CONFIDENTIAL TEXT DELETED – explanation of confidential spreadsheet].

## B-3 Sample export documents

1. Select the two largest invoices by value and provide the following documentation:
  - Contracts
  - Purchase order and order confirmation
  - Commercial invoice and packing list
  - Proof of payment and accounts receivable ledger
  - Documents showing bank charges
  - Invoices for inland transport
  - Invoices for port handling and other export charges

- Bill of lading
- Invoices for ocean freight & marine insurance (if applicable)
- Country of origin certificates (if applicable)

*If the documents are not in English, please provide a translation of the documents.*

**Please refer to Attachment B-3.1 [CONFIDENTIAL ATTACHMENT] for two sets of Australian sales documentation, which are the two largest invoices by value [CONFIDENTIAL TEXT DELETED – explanation of confidential attachment information].**

2. For each document, please annotate the documents or provide a table reconciling the details in the “B-2 Australian sales” listing to the source documents in B-3.1.

**Longte has annotated the selected documents for the convenience of review where necessary.**

#### **B-4 Reconciliation of sales to financial accounts**

1. Please complete the worksheet named “B-4 Upwards sales” to demonstrate that the sales listings in B-2, D-2 and F-2 are complete.
  - You must provide this list in electronic format using the template provided.
  - Please use the currency that your accounts are kept in.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

**Please refer to EQR Spreadsheets B-4 Upwards sales [CONFIDENTIAL ATTACHMENT].**

2. Please provide all documents, other than those in A-4, B-2 and D-2, required to complete the “B-4 Upwards sales” worksheet. If the documents include spreadsheets, all formulas used must be retained.

**Please refer to EQR Spreadsheets B-4 Upwards sales.**

3. For any amount in the “B-4 Upwards sales” worksheet that is hard coded (i.e. not a formula), please cross-reference by providing:
  - the name of the source document, including the relevant page number, in column D of the worksheet; and
  - highlight or annotate the amount shown in the source document; and
  - provide the account code and sub-account code (if applicable) at column E of the worksheet.

Please refer to EQR Spreadsheets B-4 Upwards sales.

## **B-5 Reconciliation of direct selling expenses to financial accounts**

1. Please complete the worksheet named “B-5 Upwards selling expense” to demonstrate that the direct selling expenses (e.g. Inland transport) in B-2 and D-2 are complete.
  - You must provide this list in electronic format using the template provided.
  - Please use the currency that your accounts are kept in.
  - If you have used formulas to complete this worksheet, these formulas must be retained.
2. Please provide all documents, other than those in A-4, B-2 and D-2, required to complete the “B-5 Upwards selling expense” worksheet. If the documents include spreadsheets, all formulas used must be retained.
3. For any amount in the “B-5 Upwards selling expense” worksheet that is hard coded (i.e. not a formula), please cross-reference by providing:
  - the name of the source document, including the relevant page number, in column C of the worksheet; and
  - highlight or annotate the amount shown in the source document; and
  - provide the account code and sub-account code (if applicable) at column D of the worksheet.

Please refer to the EQR Spreadsheets B-5 Upwards selling expense [CONFIDENTIAL ATTACHMENT].

## SECTION C EXPORTED GOODS & LIKE GOODS

The Commission considers the MCC structure in and of itself is not likely to be commercially sensitive information. Any claim that disclosing the MCC information is confidential or would adversely affect your business or commercial interests must be raised by lodging a submission as soon as practicable, but no later than the time this questionnaire is due.

### C-1 Models exported to Australia

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

**The goods exported to Australia during the inquiry period were ferrous grinding balls, containing alloy, forged, with diameters in the range of 20mm to 125mm.**

**A product brochure is provided in Attachment A-2.11.**

**Additional technical information such as the internal product model code is provided within EQR Spreadsheet – B-2 Australian sales spreadsheet.**

2. Provide a list of MCCs of the goods exported to Australia. This must cover all MCCs listed in the Australian sales listing in B-2.
  - This list must be disclosed in the public record version of the response.

**MCCs of the goods exported to Australia during the inquiry period in the B-2 Australian sales listing, according to the Commission’s proposed MCC structure are the following.**

Item	Category	Sub-category	Identifier
1	Production method	Forged	F
2	Diameter	Diameter in mm	20mm to 125mm
3	Product code	Internal grade/model	LTB2, LTB3, LTBU

## **C-2 Models sold in the domestic market**

1. Fully describe all like goods your company sold on the domestic market during the period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the like goods sold on the domestic market.

**The goods sold on the domestic market were ferrous grinding balls, containing alloy, forged, with diameters in the range of 20mm to 125mm.**

2. Provide a list of MCCs of like goods sold on the domestic market. This must cover all MCCs listed in the domestic sales listing in D-2.
  - This list must be disclosed in the public record version of the response.

**MCCs of the goods exported to Australia during the inquiry period in the D-2 Domestic sales listing, according to the Commission’s proposed MCC structure, are the following:**

Item	Category	Sub-category	Identifier
1	Production method	Forged	F
2	Diameter	Diameter in mm	20mm to 140mm
3	Product code	Internal grade/model	LTB2, LTB3, LTB4

## **C-3 Internal product codes**

1. Does your company use product codes or stock keeping unit (SKU) codes?

If yes:

- (a) Provide details of the product or SKU coding system for the goods, such as a legend or key of the meaning for each code within the product or SKU code.
- (b) Provide details on how you mapped the product or SKU codes to the MCC for the purpose of completing this questionnaire.
- (c) Provide a table of showing the product or SKU codes for each MCC.

If no:

- (a) Provide details on the method used to identify the MCC in the sales and cost spreadsheets.



Longte's products are identified based on diameter and the internal model code, which is consistent with the MCC structure. Longte identified the MCC in the sales and cost spreadsheet based on its existing product identification. The grade code adopted by Longte, such as "LTB2", refers to the Longte internal model code.

## SECTION D DOMESTIC SALES

### D-1 Domestic sales process

1. Provide details (and diagrams if appropriate) of the domestic sales process of your company and any other related entities including:
  - (a) Marketing and advertising activities
  - (b) Price determination and/or negotiation process
  - (c) Order placement process
  - (d) Order fulfilment process and lead time
  - (e) Delivery terms and process
  - (f) Invoicing process
  - (g) Payment terms and process

**[CONFIDENTIAL TEXT DELETED – commercial arrangements].**

**Generally speaking, all goods sold on the domestic market during the inquiry period were produced in Longte's own production facility [CONFIDENTIAL TEXT DELETED – commercial arrangement relating to domestic sales].**

**Domestic sales are negotiated with customers on a transaction-by-transaction basis, [CONFIDENTIAL TEXT DELETED – commercial arrangement relating to domestic sales]. The customer will then place its purchase order directly with Longte for Longte to arrange for production. Invoices are issued and payment is fully collected before delivery in most cases.**

**[CONFIDENTIAL TEXT DELETED – delivery terms].**

2. Are any domestic customers related to your company? If yes, please provide a list of each related customer and provide details on how the selling price is set.

**No.**

3. If sales are in accordance with price lists or price extras list, provide copies of these lists.

**Domestic sales are negotiated on a transaction-by-transaction basis and not made in accordance with price lists. [CONFIDENTIAL TEXT DELETED – commercial arrangement relating to domestic sales].**

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

[CONFIDENTIAL TEXT DELETED – commercial practice with respect to sales]

5. Did you provide on-invoice discounts and/or off-invoice rebates to the customer or an associate of the customer in relation to the sale of the like goods during the period? If yes, provide a description; and explain the terms and conditions that must be met by the customer to obtain the discount.

[CONFIDENTIAL TEXT DELETED – commercial practice with respect to sales]

6. Did you issue any credit or debit notes (directly or indirectly) to the customer or associate of the customer in relation to the sale of the like goods during the period? If yes, provide details of the credit/debit notes including the reasons the credit/debit notes were issued.

[CONFIDENTIAL TEXT DELETED – commercial practice with respect to sales]

7. In establishing the date of sale, the Commission will normally use the date of invoice as it best reflects the material terms of sale. If you are making a claim that a different date should be taken as the date of sale:

- (a) What date are you claiming as the date of sale?
- (b) Why does this date best reflect the material terms of sale?

Longte reported domestic sales based on the invoice date.

## D-2 Domestic sales listing

1. Complete the worksheet named “D-2 Domestic sales”
- This worksheet lists all domestic sales (i.e. transaction by transaction) of like goods invoiced within the period, even if they are models not exported to Australia
  - If you have claimed in B-1.8 and/or D-1.7 that the date of sale is one other than the invoice date, then add the sales within your claimed date of sale.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.
  - If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-2 above, add a column for each item. For example, certain other selling expenses incurred.

Please refer to the attached worksheet at [EQR Spreadsheet – D-2 Domestic sales](#) [CONFIDENTIAL ATTACHMENT] for all of Longte’s domestic sales of like goods invoiced within the inquiry period .

2. Complete worksheet "D-2.2 domestic sales source" listing the source of the data used for each column in worksheet "D-2 domestic sales".

Please refer to the attached worksheet at EQR Spreadsheet – D-2.2 domestic sales source [CONFIDENTIAL ATTACHMENT]

### D-3 Sample domestic sales documents

1. Select the two largest invoices by value and provide the following documentation:
  - Contracts
  - Purchase order and order confirmation
  - Commercial invoice and packing list
  - Proof of payment and accounts receivable ledger
  - Documents showing bank charges
  - Delivery invoices

*If the documents are not in English, please provide a translation of the documents.*

Please refer to Attachment D-3.1 [CONFIDENTIAL ATTACHMENT] for two sets of domestic sales sample documents, which are the two largest invoices by value.

2. For each document, please annotate the documents or provide a table reconciling the details in the "D-2 Domestic sales" listing to the source documents in D-3.1.

Longte has annotated the selected documents for the convenience of review.

### D-4 Reconciliation of sales to financial accounts

This section is not required if you have completed B-4.

Answers to the following questions in section D-4 are included in the answers to the questions in section B-4. Please refer to the answers to section B-4 for details.

1. Please complete the worksheet named "B-4 Upwards sales" to demonstrate that the sales listings in D-2 and F-2 are complete.
  - You must provide this list in electronic format using the template provided.
  - Please use the currency that your accounts are kept in.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

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2. Please provide all documents, other than those in A-4, D-2 and F-2, required to complete the “B-4 Upwards sales” worksheet. If the documents include spreadsheets, all formulas used must be retained.
3. For any amount in the “B-4 Upwards sales” worksheet that is hard coded (i.e. not a formula), please cross-reference by providing:
  - the name of the source document, including the relevant page number, in column D of the worksheet; and
  - highlight or annotate the amount shown in the source document.

## SECTION E DUE ALLOWANCE

### E-1 Credit expense

1. Do you provide credit to any domestic customers in relation to sales of like goods (i.e. payment terms that are not on a cash or pre-payment basis)? If yes:
  - (a) Do you provide a rolling credit facility to your domestic customers (i.e. no specific payment terms agreed at the time of sale)? If yes:
    - i. Calculate the accounts receivable turnover for each domestic customer (credit sales divided by the average accounts receivable).
    - ii. Calculate the average credit term for each domestic customer by dividing 365 by the accounts receivable turnover
  - (b) Do you have short term borrowings or an overdraft facility? If yes, what is the interest rate, or average of interest rates?
  - (c) Do you have term deposits or other cash product (e.g. bonds)? If yes, what is the interest rate, or average of interest rates?

**Domestic sales were generally made on a [CONFIDENTIAL TEXT DELETED – payment term].**

2. Do you provide credit to any Australian customers in relation to sales of the goods (i.e. payment terms that are not on a cash or pre-payment basis)? If yes:
  - (a) Do you provide a rolling credit facility to your Australian customers (i.e. no specific payment terms agreed at the time of sale)? If yes:
    - i. Calculate the accounts receivable turnover for each Australian customer (credit sales divided by the average accounts receivable).
    - ii. Calculate the average credit term for each Australian customer by dividing 365 by the accounts receivable turnover
  - (b) If your Australian customers pay you into a foreign currency denominated account (question B-1.2(a) refers):
    - i. Do you have short term borrowings or an overdraft facility denominated in the same foreign currency? If yes, what is the interest rate, or average of interest rates?
    - ii. Do you have term deposits or other cash product (e.g. bonds) denominated in the same foreign currency? If yes, what is the interest rate, or average of interest rates?

Various credit terms were used for different Australian customers. The credit terms for the Australian sales based on the average accounts receivable turnover for each customer have been reported under the column "Payment terms (days)".

## E-2 Packaging

1. What is the packaging used for your domestic sales of like goods?

Bags are generally used for packaging of domestic sales of like goods. Drums are also used if required by the customer.

2. What is the packaging used for your export sales of the goods to Australia?

The GUC exported to Australia during the inquiry period were packed only with bags.

3. If there are distinct differences in packaging between your domestic and export sales:
  - (a) Provide details of the differences
  - (b) Calculate the weighted average packaging cost for each model sold on the domestic market
  - (c) Calculate the weighted average packaging cost for each model exported to Australia

The main difference is that Australian sales were all packaged with bags, whereas domestic sales involved a mixture of bags and drums. The packaging cost differences on a per tonne basis would have been negligible.

## E-3 Delivery

1. Are any domestic sales of like goods delivered to the customer? If yes, how were the transportation costs calculated in the domestic sales listing in D-2?

[CONFIDENTIAL TEXT DELETED – commercial arrangement relating to domestic sales].

2. What are the delivery terms of the export sales of the goods to Australia?

A mixture of delivery terms were used in relation to Australian sales. These are identified for each transaction in the EQR Spreadsheet – B-2 Australian sales spreadsheet.

3. If the delivery terms of the Australian sales includes delivery to the port, how were the inland transport and port charges calculated in the Australian sales listing in B-2?

**Such expenses are reported based on the actual costs incurred.**

4. If the delivery terms of the Australian sales includes ocean freight, how was the ocean freight cost calculated in the Australian sales listing in B-2?

**Such expenses are reported based on the actual costs incurred.**

5. If the delivery terms of the Australian sales includes marine insurance, how was the marine insurance calculated in the Australian sales listing in B-2?

**Such expenses are reported based on the actual costs incurred.**

6. If the delivery terms of the Australian sales includes delivered duty paid, how were the Australian importation and delivery costs calculated in the Australian sales listing in B-2?

**Such expenses are reported based on the actual costs incurred.**

#### **E-4 Other direct selling expenses**

1. Do you provide sales commissions for domestic sales of like goods and/or export sales of the goods? If yes, provide details.

**[CONFIDENTIAL TEXT DELETED – commercial practice with respect to sales]**

2. Are there any differences in tax liability between domestic and export sales? If yes, provide details, for example:
- What is the rate of value-added tax (VAT) on sales of the goods and like goods?
  - How is VAT accounted for in your records in relation to sales of the goods and like goods?
  - Do you receive a VAT refund in relation to sales of the goods and/or like goods?
  - Do you receive a remission or drawback of import duties on inputs consumed in the productions of the goods or like goods?

**VAT is applicable for domestic sales of the goods and like goods. An equivalent VAT refund is received by Longte in relation to export sales of the goods and like goods. Please refer to Attachment E-4 [CONFIDENTIAL ATTACHMENT] for rate of VAT and VAT refund to the inquiry period.**

**Longte did not receive any remission or drawback of import duties during the inquiry period .**

3. Are there any other direct selling expenses incurred by your company in relation to domestic sales of like goods?



- These direct selling expenses must be included in the reconciliation of direct selling expenses in B-5

**Longte has not identified any direct expenses other than those specified in the EQR Spreadsheet – B-5 Upwards Selling expense worksheet and the EQR Spreadsheet – D-2 Domestic Sales listing.**

4. Are there any other direct selling expenses incurred by your company in relation to export sales of the goods to Australia?

- These direct selling expenses must be included in the reconciliation of direct selling expenses in B-5

**Longte has not identified any direct expenses other than those specified in the EQR Spreadsheet – B-5 Upwards Selling expense worksheet and the EQR Spreadsheet – B-2 Australian Sales listing.**

**[CONFIDENTIAL TEXT DELETED – information concerning commercial sales arrangements]**

## **E-5 Other adjustment claims**

1. Are there any other adjustments required to ensure a fair comparison between the export price and the normal value (based on domestic sales, costs and/or third country sales)? If yes, provide details.

- An adjustment will only be made where there is evidence that the difference affects price comparability.
- Refer to Chapter 15 of the Dumping and Subsidy Manual (November 2018) for more information.

**Longte has not identified any other adjustments at this stage.**

## SECTION F THIRD COUNTRY SALES

### F-1 Third country sales process

1. Are your sales processes to any third country (i.e. exports to countries other than Australia) different to the sales process described in B-1.1? If yes, provide details of the differences.

**Third country sales procedures are the same as those for sales to Australia.**

2. Are there any third country customers related to your company? If yes, please provide a list of each related customer and provide details on how the selling price is set.

**[CONFIDENTIAL TEXT DELTED – commercial arrangement relating to third country sales].**

3. In establishing the date of sale, the Commission will normally use the date of invoice as it best reflects the material terms of sale. If you are making a claim that a different date should be taken as the date of sale:

(a) What date are you claiming as the date of sale?

(b) Why does this date best reflect the material terms of sale?

**Third country sales have been reported based on Longte's commercial invoice date.**

### F-2 Third country sales listing

1. Complete the worksheet named "F-2 Third country sales"
  - This worksheet lists all export sales, summarised by country and customer, to third countries of like goods invoiced within the period.
  - If you have claimed in F-1.3 that the date of sale is one other than the invoice date, then add sales with your claimed date of sale.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

**Please refer to the worksheet EQR Spreadsheet – F-2 Third country sales [CONFIDENTIAL ATTACHMENT].**

2. Complete worksheet "F-2.2 third country sales source" listing the source of the data for each column in the worksheet "F-2 third country sales".

Please refer to the EQR Spreadsheet – F-2.2 third country sales source  
[CONFIDENTIAL ATTACHMENT].

### F-3 Differences in sales to third countries

1. Are there any differences in sales to third countries which may affect their comparison to export sales to Australia? If yes, provide details.

The prices of goods sold into different markets are differently impacted by the conditions of competition in the respective markets concerned.

## SECTION G COST TO MAKE AND SELL

### G-1. Production process

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

Please refer to Attachment A-2.11 for a product brochure for the integrated production process involving Longteng, Longte and ME Longteng, from steel making to grinding ball production.

The production facilities of Longte are only used to manufacture the GUC. ME Longteng produces both grinding balls and grinding rods. All scraps generated from Longte and ME Longteng's production processes were transferred back to Longteng based on market value and are re-used in Longteng's steel production.

Scrap steel generated by Longteng's production of grinding bar is re-used by Longteng itself. By-product in the form of blast furnace gas generated by Longteng's integrated production of grinding bar is supplied to Longte based on a fixed transfer price decided by Longteng and Longte.

2. Are any of your suppliers related to your company (regardless of whether it is relevant to the manufacture of the goods)? If yes, please provide details including the product or services supplied by the related company.

Yes. Longteng supplied [CONFIDENTIAL TEXT DELETED - percentage]% of the grinding bar used in the production of the goods by Longte and ME Longteng during the inquiry period . As identified above, Longteng also supplied blast furnace gas, being a by-product to Longte during the inquiry period .

### G-2. Cost accounting practices

1. Is your company's cost accounting system based on actual or standard costs (budgeted)?

Longte, Longteng and ME Longteng's cost accounting systems are based on actual costs.

2. If your company uses standard costs:
  - (a) Were standard costs used as the basis of actual costs in your responses G-3.1 & G-5.1?
  - (b) Have all variances (i.e. differences between standard and actual production costs) been allocated to the goods?
  - (c) How were those variances allocated?

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(d) Provide details of any significant or unusual cost variances that occurred during the period.

**Not applicable, please refer to answer above at G-2.1**

3. Do you have different cost centres in your company's cost accounting system? If yes, list the cost centres, provide a description of each cost centre and the allocation methodology used in your accounting system.

**No.**

4. To what level of product specificity (models, grades etc.) does your company's cost accounting system normally record production costs?

**[CONFIDENTIAL TEXT DELTED – cost accounting practice].**

5. Are there any costs for management accounting purposes valued differently to financial accounting purposes? If yes, provide details of the differences.

**No.**

6. Has your company engaged in any start-up operations in relation to the goods? If yes:
- (a) Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.
- (b) State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

**No.**

7. What is the method of valuation for raw material, work-in-progress, and finished goods inventories (e.g. last in first out –LIFO, first in first out- FIFO, weighted average)?

**Raw materials and finished goods inventories are valued on the weighted average basis. Work-in-process is not measured for the GUC.**

8. What are the valuation methods for damaged or sub-standard goods generated at the various stages of production?

**The value for damaged or sub-standard goods generated at the various stages of production is separately booked as "scrap" which is sold at market value. The cost of scrap is valued on actual basis. [CONFIDENTIAL TEXT DELTED – treatment of sub-standard goods]**

9. What are the valuation methods for scrap, by products, or joint products?

There are no by-products or joint products generated from the production process of grinding ball. Scraps generated at the grinding bar production stage by Longteng is re-used in steel production. Please refer to explanation at G-1.1 above.

10. Are any management fees/corporate allocations charged to your company by your parent or related company? If yes, provide details

No management fees or corporate allocations are charged to Longte by its parent company Longteng because company services are self-contained within the separate entities.

### G-3 Cost to make on domestic market

1. Complete the worksheet named "G-3 Domestic CTM".
- This worksheet lists the quarterly cost to make the domestic models of like goods by MCC manufactured within the period, even if they are models not exported to Australia.
  - The costs must be based on actual cost of production (i.e. not standard costs or cost of goods sold) for each MCC.
  - If any imputation tax (e.g. value-added tax) is payable on the purchase of goods or services to manufacture like goods, report the costs excluding the imputation tax. All other taxes payable (e.g. import duty) must be included as 'other costs' if not already included, for example, under material costs.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.
  - If you have claimed in B-1.8 and/or D-1.7 that the date of sale is one other than the invoice date, then provide the cost for the quarters that all domestic sales are made within your claimed date of sale, even if doing so means that such cost data predates the commencement of the period.

Please refer to the attached EQR Spreadsheet – G-3 Domestic CTM [CONFIDENTIAL ATTACHMENT].

[CONFIDENTIAL TEXT DELTED – information pertaining to confidential attachment]

2. Complete worksheet titled "G-3.2 domestic CTM source" listing the source of the data for each column of the worksheet "G-3 domestic CTM".

Data for each column of EQR Spreadsheet – G-3 Domestic CTM was prepared based on monthly CTM data of grinding balls, which is directly generated from the accounting system. The relevant source documents are provided as part of the response to question G-8.2.

[CONFIDENTIAL TEXT DELTED – information pertaining to confidential attachment]

## G-4 Selling, general & administration expenses

1. Complete the worksheet named "G-4.1 SG&A listing".
  - This worksheet lists all selling, general and administration expenses by account code for the most recent accounting period and the period.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

Please refer to the worksheet EQR Spreadsheet – G-4.1 SG&A listing  
[CONFIDENTIAL ATTACHMENT].

2. Complete the worksheet named "G-4.2 Domestic SG&A calculation".
  - This worksheet calculates the unit domestic SG&A for each MCC.
  - You must provide this list in electronic format using the template provided.
  - Please use the formulas provided.

Please refer to the worksheet EQR Spreadsheet – G-4.2 Domestic SG&A calculation  
[CONFIDENTIAL ATTACHMENT] which has been prepared in strict compliance with  
the above instructions.

## G-5 Cost to make the goods exported to Australia

1. Complete the worksheet named "G-5 Australian CTM".
  - This worksheet lists the quarterly cost to make the Australian models of the goods under consideration by MCC manufactured within the period.
  - The costs must be based on actual cost of production (i.e. not standard costs or cost of goods sold) for each MCC.
  - If any imputation tax (e.g. value-added tax) is payable on the purchase of goods or services to manufacture the goods, report the costs excluding the imputation tax. All other taxes payable (e.g. import duty) must be included as 'other costs' if not already included, for example, under material costs.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.
  - If you have claimed in B-1.8 that the date of sale is one other than the invoice date, then provide the cost for the quarters that all Australian sales are made within your claimed

date of sale, even if doing so means that such cost data predates the commencement of the period.

Please refer to the attached EQR Spreadsheet – G-5 Australian CTM [CONFIDENTIAL ATTACHMENT].

[CONFIDENTIAL TEXT DELTED – information pertaining to confidential attachment]

2. Complete worksheet titled “G-5.2 Australian CTM source” listing the source of the data for each column of worksheet “G-5 Australian CTM”.

Data for each column of the EQR Spreadsheet – Attachment G-5 spreadsheet was prepared based on monthly CTM data of grinding balls, which is directly generated from the accounting system. The relevant source documents are provided as part of response to question G-8.2.

[CONFIDENTIAL TEXT DELTED – information pertaining to confidential attachment]

## G-6 Cost allocation methodology

1. What is the allocation methodology used to complete in G-3 domestic CTM and G-5 Australian CTM for:
  - (a) Raw materials
  - (b) Labour
  - (c) Manufacturing overheads

[CONFIDENTIAL TEXT DELETED – cost accounting policy]

2. Select the domestic model (export model if you have no domestic production of like goods) with the largest production volume over the period and provide worksheets demonstrating the allocation methodology described in G-6.1 from your normal cost accounting system to the cost for that model reported in G-3.1.

Please refer to Attachment G-6.2 Overhead allocation sample [CONFIDENTIAL ATTACHMENT] as required.

## G-7 Major raw material costs

1. What are the major raw materials used in the manufacture of the goods?

The direct major raw material used for the production of the goods by Longte and ME Longteng is grinding bar. As explained above, grinding bar is produced as part of the integrated production at Longteng’s facility, with iron ore being the major raw material.



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2. Are any raw materials sourced as part of an integrated production process or from a subsidiary company which your company exercise control? If yes, complete the worksheet named "G-7.2 Raw material CTM" for these raw materials.
- This worksheet lists the quarterly cost to make the raw material manufactured within the period.
  - The costs must be based on actual cost of production (i.e. not standard costs or cost of goods sold).
  - If any imputation tax (e.g. value-added tax) is payable on the purchase of goods or services to manufacture the raw material, report the costs excluding the imputation tax. All other taxes payable (e.g. import duty) must be included as 'other costs' if not already included, for example, under material costs.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

**[CONFIDENTIAL TEXT DELETED – information concerning commercial ownership arrangements]**

**Please find attached Longteng's cost to make of the grinding bar at EQR Spreadsheet – G-7.2 Raw Material CTM [CONFIDENTIAL ATTACHMENT].**

**The key raw material used by Longteng for the production of grinding bar is imported iron ore.**

3. Using the domestic cost data in "G-3 Domestic CTM" (use "G-5 Australian CTM" if you have no domestic production of like goods), calculate the weighted average percentage of each raw material cost (listed in G-7.1) as a proportion of total cost to make.

**Please refer to EQR Spreadsheet – G-3 Domestic CTM and EQR Spreadsheet – G-3 Domestic Integrated CTM.**

4. For each raw material identified in G-7.3 which individually account for 10% or more of the total cost to make, complete the worksheet named "G-7.4 Raw material purchases"
- This worksheet lists all raw material purchases (i.e. transaction by transaction) purchased by your company within the period.
  - You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

**Please refer to the worksheet EQR Spreadsheet - G-7.4 Raw material - bar [CONFIDENTIAL ATTACHMENT] for records of the purchases of grinding bar by Longte. Please also refer to worksheet EQR Spreadsheet – G-7.4 Raw material – iron**

**ore [CONFIDENTIAL ATTACHMENT] for records of the purchase of iron ore by Longteng.**

5. Provide a table listing the source of the data for each column of the “G-7.4 Raw material purchases” listing.

**The source data for each column of the worksheet EQR Spreadsheet – Attachment G-7.4 [CONFIDENTIAL ATTACHMENT] is the raw material inventory ledger of Longte and Longteng respectively.**

6. For each raw material:
- (a) Select the two largest invoices by value and provide the commercial invoice and proof of payment.
  - (b) Reconcile the total value listed in “G-7.4 Raw material purchases” listing to relevant purchase ledgers or trial balances in your accounting system. Provide copies of all documents used to demonstrate the reconciliation.

**Please refer to Attachment G-7.6.1 [CONFIDENTIAL ATTACHMENT] for two selected purchase samples for each type of raw material following the above instructions. Please refer to Attachment G-7.6.2 for the reconciliation of raw material purchases [CONFIDENTIAL ATTACHMENT].**

7. Are any of the suppliers in “G-7.4 Raw material purchases” listing related to your company? If yes, please provide details on how the price is set.

**As explained above, the grinding bar used for producing the GUC is transferred between Longteng and Longte [CONFIDENTIAL TEXT DELETED – commercial arrangement].**

## **G-8 Reconciliation of cost to make to audited financial statements**

1. Please complete the worksheet named “G-8 Upwards costs” to demonstrate that the cost listings in G-3 and G-5 are complete.
- You must provide this list in electronic format using the template provided.
  - Please use the currency that your accounts are kept in.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

**Please refer to EQR Spreadsheet – G-8 Upwards costs [CONFIDENTIAL ATTACHMENT].**

2. Please provide any documents, other than those in A-4, G-3 and G-5, required to complete the “G-8 Upwards costs” worksheet.

Please refer to Attachments G-8.2.1 and G-8.2.2 [CONFIDENTIAL ATTACHMENT].

3. For any amount that is hard coded (i.e. not a formula), please cross-reference by providing:
  - the name of the source document, including the relevant page number, in column D of the worksheet; and
  - highlight or annotate the amount shown in the source document; and
  - provide the account number and sub-account number (if applicable) at column E of the worksheet.

Please refer to EQR Spreadsheets G-8 and Attachments G-8.2.1 and G-8.2.2.

## G-9 Production of the goods under consideration

1. Describe your company's practices for capturing the production quantities reported at worksheets "G-3 domestic CTM" and "G-5 Australian CTM". Consider using a flowchart in answering this question.

**Longte captures the actual quantity in its financial system. The actual quantity is measured when the product is transferred to the warehouse upon the finish of the production.**

2. Outline the types of source documents kept by the company in relation to production quantities and how the production quantities are entered into the accounting system. Consider using a flowchart in answering this question.

**The data in G-9 was based on Attachment G-8.2.2, which is directly generated from the financial system.**

3. Briefly explain the reasons for any differences between:
  - (a) the production quantities reported at worksheet "G-3 domestic CTM" and the sales volumes reported at worksheet "D-2 domestic sales"; and

**The production quantity reported in G-3 is the debit side of the inventory. However, the sales volumes reported at D-2 are recorded in the credit side of the inventory. The difference between the credit side and the debit side of inventory is left in the ending balance. The ending balance reflects the products about to be delivered to the customer.**

- (b) the production quantities reported at worksheet "G-5 Australian CTM" and the sales volumes reported at worksheet "D-2 domestic sales".

**The production quantity reported in G-3 is the debit side of the inventory. However, the sales volumes reported at D-2 is recorded in the credit side of the inventory. The**

**difference between the credit side and the debit side of inventory is left in the ending balance.**

4. Do you have warehousing facilities for the goods exported to Australia or sold domestically? If no, what do you do with excess inventory? If yes, please outline:
- (a) the volume capacity of these facilities;
  - (b) the monthly amount of inventory maintained during the period; and
  - (c) the average period of time that inventory is retained, and how this is calculated.

**Longte does not maintain inventory. Longte arranges its production according to sales orders. The ending balance of the inventory ledger reflects the products to be delivered to the customers.**

## G-10 Capacity Utilisation

1. Please complete the worksheet named "G-10 Capacity Utilisation".
- You must provide this list in electronic format using the template provided.
  - If you have used formulas to complete this worksheet, these formulas must be retained.

**Please refer to the worksheet EQR Spreadsheet – Attachment G-10 Capacity Utilisation [CONFIDENTIAL ATTACHMENT].**

2. Explain how the production capacity and capacity utilisation has been calculated.

**The production capacity is the maximum theoretical production quantity of the equipment, and does not take into account maintenance or other production ebb and flows. The calculation is:**

$$\text{Capacity utilisation} = \text{actual production quantity} / \text{the production capacity.}$$

## SECTION H PARTICULAR MARKET SITUATION

### H-1 Reporting requirements

1. Describe generally all interaction that your business has with the Government of China at all levels, including (but not limited to):

- (a) reporting requirements;

**Longte, Longteng and ML-Longteng are the relevant China-based entities, operating as a single economic entity for the production of the GUC. For the purpose of this section these entities are collectively referred to as “the Longte entities”.**

**The Longte entities are not required to report to the GOC in relation to their normal business operations. Longte is a private company and all its business decisions are made by the senior management of the company.**

- (b) payment of taxes;

**The Longte entities pay taxes in accordance with the relevant laws of China. These are paid on a regular monthly or quarterly basis. Final tax liabilities are reconciled and paid at the end of each year as per Chinese legal requirements.**

- (c) senior management representation within your business;

**The Longte entities are wholly private-owned companies. The GOC has no senior management representation within Longte’s business. Senior management within the business are recruited from the employment market and are hired according to Chinese law and the company’s operational procedures.**

- (d) supervision by the State-owned Assets Supervision and Administration Commission (SASAC) or a body under the control of SASAC.

**As stated above, the Longte entities are private companies wholly in control and command of their operations. They are not supervised by SASAC nor by any other body under the control of SASAC or the GOC.**

- (e) approval/negotiation of business decisions (e.g. investment decisions, management decisions, pricing decisions, production decisions, sales decisions);

**The GOC has nothing to do with the business decisions of the Longte entities. The business decisions of the Longte entities are made and resolved by their executive directors, senior management and/or general managers.**

- (f) licensing;

**The Longte entities' only interaction with the GOC in this regard is the issuance of business licenses. No other licensing is needed for the operational activities of the company.**

(g) restrictions on land use;

**The Longte entities face no direction or restrictions from the GOC in their land usage apart from land zoning and development laws.**

(h) provision of loans; or

**The Longte entities' loans are provided by commercial banks. The terms and conditions of Longte's borrowings are decided by commercial negotiation with lenders.**

(i) provision of grants, awards or other funds.

**Not applicable.**

## H-2 Business structure, ownership and management

1. Indicate whether your company is a state-owned or state-invested enterprise (SIE)
  - A state owned enterprise refers to any company or enterprise that is wholly or partially owned by the GOC (either through direct ownership or through association).

**The Longte entities are not SIEs.**

2. List the Board of Directors and Board of Shareholders of your business and all other entities/businesses your business is related to.

**Please refer to information regarding the directors and shareholders for each of the Longte entities at A-2.4 and A-2.5 above.**

3. Indicate the names of common directors and officers between your business and related businesses, where applicable.

**[CONFIDENTIAL TEXT DELETED – private company information]**

4. Are any members of your business' (and/or all other entities your business is related to) Board of Directors or Board of Shareholders representatives, employees, or otherwise affiliated with the Government of China (at any level, from any agency, party, or otherwise associated entity, including SASAC)? If yes, identify the individuals, their role on that Board and their affiliation with the Government of China.

**The Longte entities' executive directors and shareholders are not representatives or employees of, or otherwise affiliated with, the Government of China.**

5. Does your business' (and/or all other entities your business is related to) Board of Directors or Board of Shareholders have a representative from the Chinese Communist Party (CCP)? If yes, identify their name and title and indicate their position at the board level.

**The Longte entities' executive director and shareholders are not representatives of or from the Chinese Communist Party (CCP).**

6. Are any members of your business' (and/or all other entities your business is related to) Board of Directors or Board of Shareholders appointed, managed or recommended by the Government of China? If yes, identify any relevant government department(s) they are affiliated with.

**The Longte entities' executive director and shareholders are not appointed, managed or recommended by the GOC.**

7. Indicate who owns what percentage of all shares in your business and identify whether they are:
- an affiliate, representative, agency or otherwise representative of the Government of China;
  - employees of your business;
  - foreign investors; or
  - other (please specify).

**Please refer to Attachment A-2.5.**

8. Provide the details of any significant changes in the ownership structure of your business during the period.

**No changes in the ownership structure of the Longte entities occurred during the period.**

9. Identify any positions within your business that are appointments or designated to act on behalf of Government of China authorities.

**No persons appointed to positions within the Longte entities are appointed by GOC authorities or designated to act on behalf of GOC authorities.**

10. Explain whether there are requirements in law and in practice to have government representation at any level of your business. If there is such a requirement, explain the role of government representatives appointed to any level of your business.

**There are no requirements of law or practice requiring or mandating government representation at any level of the business of the Longte entities.**

11. If your business is a publicly-traded company, what are the rules regarding the issuance of shares by your business? Identify any stock exchanges on which your business is listed.

**Not applicable. The Longte entities are not publicly-traded companies.**

12. Provide the monthly trading volume and average monthly trading price of your listed security over the period.

**Not applicable.**

13. Who has the ability to reward, fire or discipline your business' senior managers?

**The Longte entities' executive director and general manager have the ability to reward, fire or discipline the senior managers at different levels.**

14. Do any of your company's senior managers hold positions in any Government of China departments or organisations, associations or Chambers of Commerce? If yes, describe the nature of these positions.

**No.**

15. Provide the names and positions of your company's pricing committee.

**There is no such committee in the Longte entities.**

### H-3 Licensing

1. Provide a copy of your business license(s).

**Please refer to Attachment H-3.1 [CONFIDENTIAL ATTACHMENT] for Longte's business license.**

2. Identify the Government of China departments or offices responsible for issuing the license(s).

**The Longte entities' business licenses were all issued by the Changshu City Market Supervision and Administration Bureau.**

3. Describe the procedures involved in applying for the license(s).

**The procedures involved for any company to apply for a business license are as follows:**



Firstly, apply to reserve the proposed company name;

Secondly, a representative or agent of the shareholders applies to the registration authority for registration of the incorporation of the company; and

Finally, all relevant documents as requested by laws and regulations, such as application form of registration of incorporation, articles of association, identity of each shareholder, and certificate of company residence etc., will be checked by the authority.

4. Describe any requirements or conditions that must be met in order to obtain the license(s).

**For a limited liability company like Longte, the requirements or conditions for incorporation are as follows:**

- (1) application for registration of establishment signed by the chairman of the board of directors or executive of the company;
- (2) certificate of representation of all the shareholders by jointly entrusted agent;
- (3) articles of association;
- (4) legal person qualification certificates of the shareholders or identity certificates of natural persons;
- (5) documents indicating the names and residence of the company's directors, supervisors and managers, and the certificates relating to their appointments, elections or engagements;
- (6) documents of tenure of office and identity certificate of the company's legal representative;
- (7) notification of pre-approval of the company's name; and
- (8) domicile certificate of the company.

5. Describe and explain any restrictions imposed on your business by the business license(s).

**Every company in China shall operate within its registered business scope. Article 12 of the Company Law provides as follows:**

*The scope of business of a company shall be specified in the articles of association of the company and shall be registered according to the law. A company may amend its articles of association and change the scope of business, provided that it shall carry out change registration.*

**Thus, companies in China apply for registration to carry out their requested business scope, and may change that business scope through registering revisions.**

6. Describe any sanctions imposed on your business if you act outside the scope of your business license(s).

If a company acts outside the scope of the business license, and depending on the circumstances, the registration authority may issue a warning, impose a fine, confiscate illegal income, or order the suspension of business operations until the matter is rectified.

7. Describe and explain any rights or benefits conferred to your business under the license(s).

Obtaining a business license is a standard aspect of company registration in China. A business license establishes that the company concerned is a legal person. In that capacity the company is able to operate legally and freely carry out its business.

8. Describe the circumstances under which your business license(s) can be revoked, and who has the authority to revoke the license(s).

The relevant Market Supervision and Administration Bureau (formerly the Administration for Industry and Commerce) who issued the business license to the company would be the competent authority to revoke it. Types of circumstances that could cause a business license to be revoked include:

- (1) dissolution after liquidation;
- (2) having acquired the business license by falsification of the registered capital, and the circumstance is serious;
- (3) having acquired the business license by false submissions or other fraudulent means, and the circumstance is serious;
- (4) failure to commence business more than six months after incorporation without good reason, or ceasing business operations for more than six months consecutively after opening business;
- (5) where the business scope of a company changes such that it exceeds the originally registered scope and the change to the scope has not been registered, and the circumstance is serious;
- (6) failure to annually renew registration according to legal provisions and after the competent authority give a prescribed time limit, the company still fails to renew within the prescribed time limit;
- (7) fraudulent behaviour relating to the licence, or allowing it to be used by unauthorised third parties, and the circumstance is serious; and
- (8) engaging in serious illegal activities in the name of the company, such as might compromise the public interest.

#### H-4 Decision-making, planning and reporting

1. Provide a description of your business' decision-making structure in general and in respect of the goods. This should identify the persons or bodies primarily responsible for deciding:

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- a. what goods are produced;
- b. how the goods are produced;
- c. how levels of inputs such as raw materials, labour and energy are set and secured;
- d. how the use of your outputs, such as product mix, is determined; and
- e. how your business' profit is distributed.

**[CONFIDENTIAL TEXT DELETED – corporate and commercial management]**

2. Provide a description of any Government of China input into the decision-making process respecting your manufacture, marketing and sale of the goods.

**There is no GOC input, guidance or interference in the decision-making process regarding the manufacturing, marketing and sale of steel products by the Longte entities.**

3. Provide a list of all government departments/offices that are involved, either directly or indirectly, in your manufacture, sale or purchase of the goods.

**No government departments/offices are involved, either directly or indirectly, in the manufacture, sale or purchase of steel products by the Longte entities.**

4. List and describe all reports that must be submitted to the Government of China periodically by your company, and identify the government department/office where each report is filed.

**No reports need to be submitted to the GOC periodically by the Longte entities apart from tax reporting required by the State Administration of Taxation and annual renewal of registration and financial reporting to the State Administration of Industry and Commerce.**

5. Provide a copy of the last two Provincial/City Five Year Plans (including the appendices) for the province/city in which your business is located, whichever is applicable. The copies should be fully translated including the appendices, along with the original Chinese version.

**The Longte entities are not in possession nor interested in such plans.**

6. Does your business develop any five-year plans or similar planning documents? If yes, provide copies of these plans and advise whether these plans have been submitted, reviewed or approved by the Government of China (including the National Development and Reform Commission).

**The Longte entities do not develop any five-year plans or similar planning documents, and do not have to submit any business planning documents to GOC authorities.**

7. Provide copies of the minutes of your Board of Directors and Board of Shareholders meetings over the period.

[CONFIDENTIAL TEXT DELETED – corporate and commercial management]

8. Provide copies of the notes to company meetings where pricing decisions on the goods under consideration have been made over the period.

[CONFIDENTIAL TEXT DELETED – corporate and commercial management]

## H-5 Financial and investment activities

1. Is your business debt funded? If yes, provide a list of all major lenders.

**The Longte entities' business debt is funded via commercial loans from commercial banks. Longte and the bank mutually determine the terms and conditions of loans. For the major lenders, please refer to Attachment H-5.1 [CONFIDENTIAL ATTACHMENT].**

2. What is the rate of interest paid by your business on all debt instruments over the last 5 years?

**The interest rates applicable to Longte's commercial loans are negotiated with commercial banks. The interest rates have varied over the past 5 years within the range of [CONFIDENTIAL TEXT DELETED]%.**

3. Has your business benefited from any concessional interest rates for your loans/debts in the last 5 years? If yes, provide details.

**No.**

4. Has your business raised any capital using issuance of shares, preferential shares, rights issue, bonds, warrants, debentures, sub-ordinate loans or any other debt and/or equity instruments in the last 5 years? If yes:

- a. explain what instruments were used;
- b. identify the type (e.g government guarantee) and provider of the security; and
- c. explain the reasons for raising the capital.

**No.**

5. Does your business have policies on how cash reserves are to be invested? If yes, provide details.

<b>No.</b>
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6. Has your business invested in either government or non-government debt securities (such as bonds, quasi-government bonds)? If yes, provide details (e.g. type of instrument, amount invested and the expected rate of return).

<b>No.</b>
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## **H-6 Government policy on the industry**

1. Are there any Government of China opinions, directives, decrees, promulgations, measures, etc. concerning industry of the goods that were put in place or operating during the period? If yes, please provide:
- a. copy of the documentation and a translation in English;
  - b. documentation concerning the Government of China or any association of the Government of China's notification of the measures concerning the goods to your company during the period.

<b>Longte has no awareness of such GOC opinions, directives, decrees, promulgations, measures, etc. that were put in place or operating during the investigation period concerning the goods.</b>
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2. Provide information concerning the name of any Government of China departments, bureaus or agencies responsible for the administration of all Government of China measures concerning the industry of the goods in the regions, provinces or special economic zones where your company is located, including contact information regarding the following areas:
- industrial policy and guidance on the industry;

<b>Department:</b>	<b>National Development and Reform Commission ("NDRC")</b>
<b>Address:</b>	<b>38 South Yuetan Street, Xicheng District, Beijing 100824</b>
<b>Phone number:</b>	<b>+86-10-6850 1428</b>
<b>Fax number:</b>	<b>+86-10-6850 2999</b>
<b>Department:</b>	<b>Ministry of Industry and Information Technology ("MIIT")</b>
<b>Address:</b>	<b>13 West Changan Street, Xicheng District, Beijing 100804</b>
<b>Phone number:</b>	<b>+86-10-6601 1228</b>
<b>Fax number:</b>	<b>+86-10-6601 1228</b>

- market entry criteria for the industry;

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<b>Department:</b>	<b>National Development and Reform Commission (“NDRC”)</b>
<b>Address:</b>	<b>38 South Yuetan Street, Xicheng District, Beijing 100824</b>
<b>Phone number:</b>	<b>+86-10-6850 1428</b>
<b>Fax number:</b>	<b>+86-10-6850 2999</b>
<b>Department:</b>	<b>Ministry of Industry and Information Technology (“MIIT”)</b>
<b>Address:</b>	<b>13 West Changan Street, Xicheng District, Beijing 100804</b>
<b>Phone number:</b>	<b>+86-10-6601 1228</b>
<b>Fax number:</b>	<b>+86-10-6601 1228</b>

- environmental enforcement for the industry;

<b>Department:</b>	<b>Ministry of Ecology and Environment of the People’s Republic of China</b>
<b>Address:</b>	<b>115 Small Nan Street, Xizhimen, Xicheng District, Beijing 100035</b>
<b>Phone number:</b>	<b>+86-10- 6655 6114</b>
<b>Fax number:</b>	<b>+86-10- 8466 5415</b>

- management of land utilization;

<b>Department:</b>	<b>Ministry of Land and Resources</b>
<b>Address:</b>	<b>64 Funei Avenue, Xicheng District, Beijing 100812</b>
<b>Phone number:</b>	<b>+86-10-6655 8424</b>
<b>Fax number:</b>	<b>+86-10-6655 8004</b>

- the China Banking Regulatory Commission for the industry;

<b>Department:</b>	<b>China Banking Regulatory Commission (“CBRC”)</b>
<b>Address:</b>	<b>15 Financial Avenue, Xicheng District, Beijing 100800</b>
<b>Phone number:</b>	<b>+86-10-6627 9378</b>
<b>Fax number:</b>	<b>+86-10-6629 9144</b>

- investigation and inspection of expansion facilities;

**To the best knowledge of Longte, there are no departments or sections in the Chinese government in charge of the investigation and inspection of expansion facilities.**

- the section in the National Development and Reform Commission that is responsible for the industry; and

Longte does not have such information.

- import licensing for raw materials relating to the goods under consideration.

<b>Department:</b>	<b>Department of Foreign Trade of the Ministry of Commerce (“MOFCOM”)</b>
<b>Address:</b>	<b>2 Dongchang’an Road, Beijing, 100731</b>
<b>Phone number:</b>	<b>+86-10-6519 7107</b>
<b>Fax number:</b>	<b>+86-10-6519 7447</b>

3. Describe any role your company plays in the development of government’s industrial plans and/or policies at all levels of government. For example, does your company provide information for, or request inclusion in, any plans, policies, or measures?

Longte is not involved in and did not provide any information for such plans or policies.

4. Does your company provide information relating to assessments of the implementation of the plan, policy or measure?

No.

5. Has the Government of China designated your company and/or industry as “pillar,” “encouraged,” “honourable,” or any other designation? If yes, please answer the following questions.
- Explain the purpose of these designations, the criteria for receiving any such designation, and the benefits or obligations that arise from each such designation.
  - Is there any connection between these designations and five-year plans or other industrial and/or economic policies or administrative measures?
  - Describe any instances in which your company cited Government of China plans, policies, or measures as support for receiving the financing that you report.

Longte is not aware of it being designated with any of the above.

## H-7 Taxation

1. Were there any export taxes on the exports of the goods during the period?

No.

2. What was the value-added tax rebate applicable to exports of the goods during the period?

**Exportation of the GUC is eligible for full 13% VAT refund.**

3. Have there been any changes to the value-added tax rebate applicable to exports of the goods in the last 5 years? If yes, provide:
- a detailed chronological history of the value-added tax rebate rates;
  - products affected;
  - the effective dates of the rate changes;
  - fully translated copies of any Government of China notices regarding these changes, including the relevant appendices.

**The VAT rebate/refund for the goods varied during the last 5 years. Please refer to Attachment E-4 for these changes.**

4. Are you aware of any tax changes being planned that would impact the industry?

**Longte is not aware of any tax changes being planned that would impact the industry at this stage.**

## H-8 Sales Terms

1. Identify the person who authorises the sales terms, prices and other contract provisions for the sale of the goods by your business.

**Domestic and export sales terms for the GUC are decided and negotiated by the sales department of [CONFIDENTIAL TEXT DELETED – commercial sales information]**

2. Explain how the selling prices of the goods under consideration by your business are determined, including any Government of China involvement in your business' pricing decisions, and indicate if the goods are subject to Government of China direct or indirect pricing or government guidance pricing.

**Please refer to answers above at B-1, D-1, and H-8.1.**

**[CONFIDENTIAL TEXT DELETED – commercial and sales practices]**

**Grinding ball consumers in both China and Australia typically value the source of grinding media on the basis of “total-cost-ownership”, that is, they will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration. Naturally, each customer may have its own commercial preferences or priorities which may affect the outcomes of negotiation and the sales**



**terms. Grinding balls are consumable products. The prices are driven mainly by the demand of the mining sectors and overall global steel market conditions.**

**For the goods produced by the Longte entities, and for both customers in China and Australia, the key source of demand is the mining industry, particularly gold, copper, and iron ore mines.**

3. Does your business coordinate the selling prices or supply of the goods with other domestic producers or any Government of China departments? If yes, provide details.

**The Longte entities do not coordinate their selling prices or supply of the goods with other domestic producers or with any Government of China departments.**

4. Explain whether your business provides information or data to the Government of China, other government officials or commercial/industry organisations, including those outside of China, which report on the industry.

**The Longte entities do not provide grinding ball price information or data to the Government of China, or to other government officials or commercial/industry organisations, including those outside of China, which may report on the industry.**

5. Explain whether your business provides price data to any other person at the provincial, regional or special economic zone level of government.

**No. Such information is strictly commercially confidential.**

6. Explain whether your business has encountered any price guidance or controls established by regional, provincial or special economic zone officials and/or organisations.

**No. So far as Longte is aware, steel products such as grinding balls are not subject to any Government of China price regulation/guidance/control.**

7. Explain whether your business has encountered any other restrictions, limitations, or other considerations imposed on your business.

**No.**

8. Which organisation/business entity do you consider as the price leader of the goods?

**[CONFIDENTIAL TEXT DELETED – commercial and sales practices]**

**As explained above, the prices of the GUC in both China and Australia are driven by the demand of the mining sectors. Prices can vary greatly between different products/suppliers. Grinding ball consumers in both China and Australia typically value the source of grinding media on the basis of “total-cost-ownership”. That is, they will generally assess the total value of product taking into consideration price,**

consumption rate and supply chain costs. There are also significant price variances between different grades of grinding balls, as well as between forged and cast balls.

Longte/ME focus on offering products with high quality premium products and a long term efficiency in total cost ownership to its customers. Longte/ME does not consider itself as price leader in either domestic or Australian market.

9. Does your business have a pricing committee in respect of the goods? If yes, provide the names and positions of all members of the committee.

No.

10. How often does the pricing committee meet to discuss selling prices of the goods? Provide the minutes or any other relevant documents of all meetings of the pricing committee during the period.

[CONFIDENTIAL TEXT DELETED – commercial and sales practices]

11. Identify the person who authorises the sales terms, prices and other contract provisions for the sale of the goods by your business.

Please see answers to the same question at H-8.1.

12. If you have production facilities of the goods in more than one region and/or province, are the laws and regulations in each region the same with respect to pricing of the goods? If no, provide details on the differences.

Longte/ME Longteng do not have production facilities in more than one region in China. Nonetheless, Longte cannot imagine that the laws and regulations would be different in any region, and has not encountered any such differences. So far as Longte is aware, there are no pricing restrictions or limitations on sales of grinding balls in China.

## H-9 Industry associations

1. Is your business a member of any business or industry associations? If yes, explain your business' relationship with the association and the involvement of the Government of China with the associations.

No.

2. If your business is a member of an industry association, indicate whether this membership is voluntary or compulsory. Explain the functions that the association provides for your business. Explain in detail the role of the association with respect to the directives as provided by the Government of China concerning the industry.

Not applicable.

## H-10 Statistics submission/recording

1. Indicate if your business makes submissions to the Chinese Bureau of Statistics and/or any other government organisation. If yes, explain the purpose of these submissions and the type of information submitted.

No.

2. Provide a recent example of a submission that has been made to the Bureau of Statistics and/or any other government organisation. For example, monthly data relating to sales, production and costs.

Not applicable.

3. Do the organisations approve or assess your submission? If yes, provide a detailed explanation.

Not applicable.

4. Do the organisations provide feedback on your submission? If yes, provide a detailed explanation.

Not applicable.

## H-11 Production/output

1. Is any part of your production subject to any national/regional industrial policy or guidance? If yes, provide details including a background of the policy/guidance and explain any restriction imposed by the policy/guidance. To what extent are any of the policies/guidelines applicable to your business?

The Longte entities are not aware of such policy/guidance.

2. Where applicable, how did your business respond to the policies/guidelines?

The Longte entities are not aware of such policy/guidance applying to the production of the GUC.

3. Provide details regarding any other restrictions (e.g. geographic/regional, downstream, end use, etc.) to the sale of the goods and/or like goods that has been placed upon, or may be imposed, by the Government of China on your business.

**There are no restrictions.**

4. Provide a list of all your domestic customers of the like goods, include the location (city and province) of the customer and indicate whether each customer is an SIE.

**Please refer to Attachment H-11.4 [CONFIDENTIAL ATTACHMENT] for a list of domestic customers as requested.**

5. Are there any restrictions and/or conditions in relation to the quality or quantity of the production of the goods placed upon your business? If yes, provide details.

**There are no restrictions and/or conditions placed upon the Longte entities.**

6. Does your business require an export licence? If yes, provide details.

**No.**

7. Are the goods sold by your business subject to any export restrictions and/or limits during the previous 5 year? If yes, provide details.

**No.**

8. Have there been any changes to your production capacity over the last 5 years? If yes, provide details.

**Please refer to EQR Spreadsheet – G-10 Capacity.**

9. Does your business benefit from any concession on the purchase of any utility services (e.g. electricity, gas, etc.)? If yes explain the nature and the amount of the concession?

**No.**

## H-12 Adding capacity and/or joint ventures

1. Provide a detailed explanation with respect to the government approval process on adding capacity and/or joint ventures in relation to your business.

**Longte has no experiences for such approval process with respect to adding capacity. The Longte entities also does not have recent experiences with respect to process concerning joint ventures. There is no governmental restrictions attached to the ME-Longteng JV.**

2. Does the government have the right to request modifications in the terms of adding capacity and/or joint ventures? If yes, provide a detailed explanation.

Longte has not encountered such requests during the inquiry period.

### H-13 Raw materials

1. Are any of the suppliers related or affiliated with you? If yes, provide details.

**Yes. Please refer to response to the same questions above at G-7 and H-4.**

2. Do you purchase from State Invested Enterprises? If yes, provide a details.

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding procurement].**

3. If your supplier is based outside China, what import duty rate is applied on the raw materials?

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding procurement].**

4. Is there a price difference in purchase price for raw materials between your suppliers? If yes, provide a detailed explanation.

**Price differences come about by reason of separate negotiations being carried out by Longte with different suppliers. Price differences will be wider, or narrower, depending on the positions of the two parties (Longte and its supplier) in any individual negotiation.**

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding procurement].**

5. Describe in detail your business' purchase procedures of the raw materials, the considerations in selecting a supplier and how the price of the raw materials is determined between you and your suppliers. If it is by tenders, provide details of the criterions/conditions.

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding procurement].**

**Where Longte is required to purchase grinding bar from unaffiliated parties as a supplementation to Longteng's supply, Longte provides its requirements concerning the quality of raw material to potential suppliers and seeks quotations. Longte will then carry out a comprehensive evaluation of price, quality and other factors before choosing the supplier who will receive an order. These purchases do not take place by way of tendering.**

6. Explain whether your business has been subjected to any direct or indirect price guidance or controls by the Government of China during the period, with respect to raw material inputs.

**No.**

7. If any of your raw materials for the goods and/or like goods are imported by your business, or related businesses:

**FOR PUBLIC RECORD**

- a. Provide details including a description of the raw material imported, the supplier and country of origin.
- b. Explain the process required to import the raw materials (e.g. obtaining an import licence, import declarations).
- c. Provide details of any conditions to importing the raw materials (e.g. customs and/or quarantine).
- d. Are you eligible for a duty drawback? If yes, provide details.

**Longte did not purchase any imported raw materials for production of the GUC during the inquiry period . On the other hand, all of the grinding bars are produced from imported iron ore purchased by Longteng. Please refer to EQR Spreadsheet – G-7.4 for details of Longteng’s iron ore purchases.**

- 8. Do you, or a business associated with you, sell any of the raw materials used to manufacture the goods and/or like goods, or sell the semi-processed goods?
  - a. Please provide a description of the raw material or semi-processed goods which are sold, including whether they are domestic or export transactions, to related or unrelated parties, and how the selling price is determined.
  - b. If there is a difference in selling prices between related and unrelated parties, please provide reasons as to why.

**Please refer to the answers to Question G-7, H-4, H-13.4,**

**SECTION I  
COUNTERVAILING**

**Section I is not applicable to the Longte entities.**

## SECTION J

### CHINESE MARKET FOR GRINDING BALLS

#### J-1 Prevailing conditions of competition in the Chinese market

1. Describe the Chinese market for the goods and the prevailing conditions of competition within the market, including:
  - (a) Provide an overall description of the market in China which explains its main characteristics and trends over the past five years;
  - (b) Provide the sources of demand for the goods in China, including the categories of customers, users or consumers of the product;
  - (c) Provide an estimated proportion (%) of sales revenue from each of those sources of demand listed in (b);
  - (d) Describe the factors that influence consumption/demand variability in China, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;
  - (e) Describe any market segmentations in China; such as geographic or product segmentations;
  - (f) Provide an estimated proportion of sales revenue from each of the market segments listed in (e);
  - (g) Describe the way in which Chinese and imported goods compete in the Chinese market;
  - (h) Describe the ways that the goods are marketed and distributed in the Chinese market; and
  - (i) Describe any other factors that are relevant to characteristics or influences on the Chinese market for the goods.

*Provide documentary evidence to support the responses made to questions 1(a) to (i).*

**The Chinese market for the GUC is similar to the Australian market, in that the key source of demand is the mining industry, particularly gold, copper, and iron ore mines.**

**The market demand has been increasing over the last five years due to strong growth for gold, copper and iron ore.**

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding sales].**

**Longte is not aware of strong competition between imported and domestic produced goods. However Longte understands that during the inquiry period China imported grinding balls from other countries, including from Australia.**



Longte's sales team marketed the GUC in China by way of contacting potential and long term customers, and through its website.

Grinding ball consumers in both China and Australia typically value the source of grinding media on the basis of "total-cost-ownership", that is, they will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration.

Naturally, each customer may have its own commercial preferences or priorities which may affect the outcomes of negotiation and the sales terms. [CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market].

2. Provide a diagram which describes the Chinese market structure for the goods, ensuring that all categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Chinese market.

The GUC has a single primary end use – being a consumable product for mining companies. Therefore there are no clear market structures. [CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

3. Describe the commercially significant market participants in the Chinese market for the goods at each level of trade over the investigation period. Include in your description:
- names of the participants;
  - the level of trade for each market participant (e.g., manufacturer, reseller, original equipment manufacturer (EOM), retailer, corporate stationer, importer, etc.);
  - a description of the degree of integration (either vertical or horizontal) for each market participant; and
  - an estimation of the market share of each participant.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

4. Identify the names of commercially significant importers in the Chinese market for the goods over the investigation period and estimate their market share. Specify the country each importer imports from and their level of trade in the Chinese market, if known.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

5. Describe the regulatory framework of the Chinese market for the goods as it relates to competition policy, taxation, product standards and the range of the goods. Provide a copy of any regulation described, if available.

As far as Longte is aware, the GUC is not subject to any special regulatory framework. The generally applicable laws concerning competition, taxation and contracts also apply to the GUC. There is no product standard applicable to the GUC in China.

6. Describe any entry restrictions for new participants into the Chinese market for the goods. Your response could include information on:
- resource ownership;
  - patents and copyrights;
  - licenses;
  - barriers to entry;
  - import restrictions; and
  - government regulations(including the effect of those government regulations).

*In responding to question 6 ensure that relevant regulations are referenced.*

Longte is not aware of any special entry restrictions. Grinding ball producers operating in China are expected to comply with the relevant environmental and production safety laws applicable to steel production.

## J-2 Goods in the Chinese market

1. Generally describe the range of goods offered for sale in the Chinese market. The description should include all like goods, including those produced by your company. Your description could include information about:
- quality differences;
  - price differences;
  - supply/availability differences;
  - technical support differences;
  - the prevalence of private labels/customer brands;
  - the prevalence of generic or plain labels;
  - the prevalence of premium labels; and
  - product segmentation.

The GUC includes all ferrous grinding balls, typically used for the comminution of metalliferous ores, that fall within the goods description regardless of the particular

grade or alloy content. This covers a broad range of steel grinding balls with vastly different qualities and prices.

As mentioned above, grinding ball consumers in both China and Australia typically value the source of grinding media on the basis of “total-cost-ownership”, that is, they will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration.

Naturally, each customer may have its own commercial preferences or priorities which may affect the outcomes of negotiation and the sales terms. [CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

2. Describe the end uses of the goods in the Chinese market from all sources.

Longte understands that grinding balls can be used by both the mining industry eg. magnetite, copper, gold, coal mines, and by the construction industry (i.e. cement).

Different types (cast or forged) and qualities of grinding balls perform differently and have different short term and long term cost implications for end users.

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Chinese market. Rank these preferences or purchasing influencers in order of importance.

Please refer to the responses above at J-2.1 and 2.2.

4. Identify if there are any commercially significant market substitutes in the Chinese market for the goods.

There are no commercially significant market substitutes in the Chinese market for the GUC.

5. Identify if there are any commercially significant market complements in the Chinese market for the goods.

There are no commercially significant market complements in the Chinese market for the goods.

6. Have there been any changes in market or consumer preferences in the Chinese market for the goods in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

The global mining sector – especially with respect to gold, copper and iron ore - has been booming over the past five years.

### J-3 Relationship between price and cost

1. Describe the importance of the Chinese market to your company's operations. In your response describe:
  - (a) The proportion of your company's sales revenue derived from sales of the goods in China; and
  - (b) The proportion of your company's profit derived from sales of the goods in China.

**During the inquiry period, the sales revenue derived by Longte from sales of the goods in China accounted for [CONFIDENTIAL]% of Longte's sales revenue.**

**Please refer to Attachment J-3.1 [CONFIDENTIAL ATTACHMENT] for the calculation.**

**[CONFIDENTIAL TEXT DELETED – profit and cost of production].**

*In responding to question 1 please provide evidence supporting calculations.*

2. Is your organisation/business entity the price leader for the goods in the Chinese market? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

**Longte is an export market-oriented producer. It is not a "price leader" for the goods in China. As shown above, Longte's domestic sales revenue accounted for only [CONFIDENTIAL] of total sales revenue during inquiry period. [CONFIDENTIAL TEXT DELETED – comment regarding sales practices].**

3. Describe the nature of your product pricing (e.g., market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in China. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

**Please see answers above.**

**Longte prepares regular internal pricing guidance to its sales department, with reference to prevailing steel market conditions and its desired profit level. As an example, please see Attachment J-3.3 [CONFIDENTIAL ATTACHMENT].**

4. Explain the process for how the selling prices of the goods for the Chinese market by your business are determined. Provide copies of internal documents which support how pricing is determined.

**Longte's prices are driven by mining industry demand, its pricing strategy (as explained in J-2 and J-3 above), as influenced by prevailing steel price factors, ie. global/Chinese steel prices, iron ore prices, etc.**

Please see internal price guidance referred to above.

5. How frequently are your Chinese selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

Generally speaking, Longte would issue new price guidance every month.  
[CONFIDENTIAL TEXT DELETED – commercial pricing information].

6. Rank the following factors in terms of their influence on your pricing decisions in the Chinese market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices
- Purchase price of raw materials
- Cost to make and sell the goods
- Level of inventory
- Value of the order
- Volume of the order
- Value of forward orders
- Volume of forward orders
- Customer relationship management
- Supplier relationship management
- Desired profit
- Brand attributes
- Other [please define what this factor is in your response]

As indicated above grinding ball consumers value the source of the grinding media on the basis of "total-cost-ownership". Consumers will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

7. Describe the relationship between selling price and costs to make and sell in the Chinese market. Does your company maintain a desired profit margin for the goods?

Please see response above in relation to pricing method and factors.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

8. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the Chinese market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how the cost to make and sell are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

No, Longte did not offer price reductions in addition to the contracted prices during the inquiry period

9. Do you offer bundled pricing in the Chinese market? If yes, explain how the pricing for bundled sales is determined. Explain how the costs to make and sell are considered in establishing these bundled prices for the goods. Provide copies of internal documents which support your claims in response to this question.

No, Longte did not offer bundled pricing in the Chinese market during the inquiry period.

10. Does the volume of sales to a customer or the size of an order influence your selling price in China? If yes, advise how volume is used to determine selling prices. Explain how the costs to make and sell are considered in establishing volume based prices for the goods. Provide copies of internal documents which support your claims in response to this question.

Please refer to Longte's pricing considerations above at J-3.6

11. Does your organisation/business entity use sales contracts in the Chinese market? If yes:
- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

- (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

- (c) How frequently are sales contracts renegotiated?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

(d) How frequently are price reviews conducted between contracts?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market]

(e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.

**Not applicable, in that all domestic sales during the inquiry period are negotiated transaction by transaction.**

(f) Do changes in your costs to make and sell enable you to review prices for customers within contracts?

**Not applicable, in that all domestic sales during the inquiry period are negotiated transaction by transaction.**

(g) Provide a list of the customers under contract during the investigation period and copies of the two largest contracts in terms of sales revenue. Provide a complete translation of the documents.

**Please refer to EQR Spreadsheet – D-2 Domestic Sales for the customer list. All of Longte's domestic sales were made under contract.**

**Please refer to Attachment J-3.11 Domestic sales contracts [CONFIDENTIAL ATTACHMENT] for the required documents.**

12. Provide copies of any price lists for the goods used in the Chinese market during the investigation period. If you do not use price lists, describe the transparency of your prices in the Chinese market.

**Please refer to Attachment J-3.3 Domestic price guidance.**

13. How do you differentiate pricing for different products/models of the goods in the Chinese market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost to make or selling cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding domestic market].

14. Do you tier or segment your Chinese customers for the goods in terms of pricing? If yes, provide:
- (a) a general description of how this is done;
  - (b) list the factors that influence pricing differentiation in different tiers or segments; and
  - (c) explain how cost to make and selling costs are considered in making pricing decisions for different tiers or segments.

*Provide copies of internal documents which support your claims in response to this question.*

No.

15. Do you sell the goods to related entities in China? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide a copy of any internal document relevant to establishing pricing to related parties.

No.

#### **J-4 Marketing and sales support in the Chinese market**

1. How does your company market the goods in the Chinese market? Include in your response the value proposition used (e.g., competitive price, superior quality, reliability, availability, etc.).

**Longte markets the goods in the Chinese market by emphasising superior quality, reliability of supply, and long term efficiencies for customers.**

2. Does your company conduct brand segmentation in the Chinese market for the goods? If yes, describe the brand segmentation used and provide the proportion of sales revenue derived from each brand segment.

**No. Only "Longte" branded products are offered.**

3. Provide examples of your Chinese advertising of the goods over the past five years. If you have not used advertising in China, provide examples of any other promotion campaigns for the goods you have conducted over the investigation period.

**Please refer to the website built by Longte for its advertising, the link is as follows:**  
<http://www.lttg.cn/promore/34.html>

4. How many people are in your Chinese market sales team and where are they located? In general terms, how are they remunerated? If they are offered performance pay based on sales, describe the performance indicators used to establish the performance pay. Provide copies of internal documents which support your claims in response to this question.



**There are [CONFIDENTIAL TEXT DELETED – number] people in Longte’s domestic market sales team. They are located at Longte’s office, being No.118 Hualian Rd, Tonggang Industry, Meili Town, Changshu City, Jiangsu Province, China [CONFIDENTIAL TEXT DELETED – employee and salary information].**

5. Describe what parameters are provided to sales staff to assist in establishing pricing for the goods when negotiating sales with customers. Provide copies of internal documents which support your claims in response to this question.

**Domestic price guidance and instructions from senior management are provided to the domestic sales team as a parameter for negotiation.**

## SECTION K PRODUCTION AND PRODUCTION COSTS

### K-1 Production of the goods

1. Describe how your company determines its volume of production for the goods, product mix of production and the factors that contribute to these decisions. How frequently are production volumes determined for the goods? How frequently is the product mix determined for the goods? Provide copies of internal documents which support your claims in response to this question.

**Longte determines its volume of production for the goods and production mix according to the sales orders every month.**

2. What lead times are typically needed to adjust volumes of production for the goods? Provide copies of internal documents which support your claims in response to this question.

**Longte arranges production based on sales orders secured each month.**

3. Do you have warehousing facilities for the goods? If no, what do you do with excess inventory? If yes:
  - (a) What is the volume capacity of these facilities?
  - (b) What was the monthly amount of inventory maintained during the investigation period?
  - (c) What is the average period of time that inventory is retained (describe how this is calculated)?

**Longte arranges production according to sales orders. [CONFIDENTIAL TEXT DELETED – inventory information].**

*Provide copies of internal documents which support your claims in response to this question.*

4. Have there been any changes to the type of capital or technology utilised by your company in the manufacturing of the goods in the last five years? If yes, provide details.

**No, there has not been any change to the capital or technology utilised by Longte in the last five years. Equipment is upgraded or optimised from time to time.**

5. For each plant capable of producing inputs that could be utilised to make the goods, provide the date that production facility came into operation and the production capacity of the plant over the past five years. The production capacity should be based on an actual production capacity, not a budgeted production capacity. Provide copies of internal documents which support your claims in response to this question.

The plant came into operation in [CONFIDENTIAL TEXT DELETED - dates]. Please refer to Attachment K-1.6 [CONFIDENTIAL ATTACHMENT] for the production capacity over the last five years.

6. List any significant investments in the past five years to either upgrade, refurbish or build any of the plants used in the production of the goods.

Longte has made the following investments in the past five years [CONFIDENTIAL TEXT DELETED – investment details].

*Provide copies of internal documents which support your claims in response to this question.*

7. Confirm whether management reports are prepared on production costs. If yes:
- (a) specify how often these cost reports are prepared;
  - (b) describe the level of detail in those reports and whether they enable the establishment of costs of producing the goods; and
  - (c) specify to whom within the company these reports are provided; and
  - (d) provide copies of these reports for each month of the investigation period.

**No. Longte does not prepare management reports on production costs.**

## SECTION L

# AUSTRALIAN MARKET FOR GRINDING BALLS

### L-1 Prevailing conditions of competition in the Australian market

1. Describe the Australian market for the goods and the prevailing conditions of competition within the market, including:
  - (a) Provide an overall description of the Australian market for the goods which explains its main characteristics and trends over the past five years;
  - (b) Provide the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product;
  - (c) Provide an estimated proportion (%) of sales revenue from each of those sources of demand listed in (b);
  - (d) Describe the factors that influence consumption/demand variability in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;
  - (e) Describe any market segmentations in Australia; such as geographic or product segmentations;
  - (f) Provide an estimated proportion of sales revenue from each of the market segments listed in (e);
  - (g) Describe the way in which Australian manufactured, Chinese and other imported goods compete in the Australian market;
  - (h) Describe the ways that the goods are marketed and distributed in the Australian market; and
  - (i) Describe any other factors that are relevant to characteristics or influences on the market for the goods in Australia.

**The Australian market for the GUC is similar to the Chinese market, in that the key source of demand is the mining industry, particularly gold, copper, and iron ore mines.**

**The Australian market for the GUC has experienced further concentration of major suppliers, following Moly-Cop's acquisition of Donhad. According to the ACCC's 2017 inquiry, Moly-Cop and Donhad were the largest and second largest suppliers in the Australian market at that time:<sup>5</sup>**

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<sup>5</sup> <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/moly-cop-proposed-acquisition-of-donhad>

*The ACCC concluded that the proposed acquisition was likely to lessen competition in the supply of steel grinding media in Australia. However, it was not satisfied that the reduction in competition was likely to be substantial.*

*Moly-Cop and Donhad are the only two domestic manufacturers of grinding media in Australia and compete closely with each other. While Donhad is the second largest grinding media supplier in Australia, its position and market share in the supply of grinding media in Australia has been declining in recent years.*

Following the acquisition, Moly-Cop eliminated its only domestic competitor and entrenched its strong market position in the Australian market.

The Australian market for grinding balls has been growing in recent years due to strong growth for gold, copper and iron ore.

As mentioned above, grinding ball consumers in both China and Australia typically value the source of grinding media on the basis of “total-cost-ownership”, that is, they will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration. Naturally, each customer may have its own commercial preferences or priorities which may affect the outcomes of negotiation and the sales terms. Longte’s business model focuses on offering high quality premium products and long term efficiency in total cost ownership for its customers, rather than low price based offerings.

Longte understands that mining sector customers can choose from an extensive range of products, both imported and locally sourced, of cast balls and forged balls. Customers make their own commercial decisions to choose the most efficient products for their ore processing. As such, grinding balls of different specifications and sources compete broadly in the same market.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

Longte and ME each engage directly with their customers and compete on value driven by quality, reliability of supply, timely delivery and technical support.

*Provide documentary evidence to support the responses made to questions 1(a) to (i).*

2. Provide a diagram which describes the Australian market structure for the goods, ensuring that all the categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.

The GUC has a single primary end use – being a consumable product for mining companies. Therefore the market structure is not complicated.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

It should be noted that Longte/ME focuses on supplying premium forged balls in the Australian market. However the GUC covers a broader range of grinding balls,

including cast balls. Longte/ME understands that grindings balls imported from India, Thailand, Indonesia also occupy a significant share of the total grinding ball market in Australia.

In particular, Longte understands that [CONFIDENTIAL TEXT DELETED – confidential information regarding imports by Australian industry].

3. Describe the commercially significant market participants in the Australian market for the goods at each level of trade over the investigation period. Include in your description:
- names of the participants;
  - the level of trade for each market participant (e.g., manufacturer, reseller, original equipment manufacturer (EOM), retailer, corporate stationer, importer, etc.);
  - a description of the degree of integration (either vertical or horizontal) for each market participant; and
  - an estimation of the market share of each participant.

Longte/ME's business in the Australian market focuses on major customers who have maintained a long term commercial relationship with Longte/ME and who appreciate the quality and services offered by Longte/ME. [CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market].

Based on Longte's own research, major suppliers to the Australian market, apart from Longte/ME and Moly-Cop, are the following:

- AIA Engineering Limited (exporter from India);
- Anhui Sanfang New Material Technology Co., Ltd (exporter from China); and
- PT. Commonwealth Steel Indonesia (exporter from Indonesia).

4. Identify the names of commercially significant importers in the Australian market for the goods over the investigation period and estimate their market share. Specify the country each importer imports from and their level of trade in the Australian market, if known.

Longte/ME's business in the Australian market focuses on major customers who have maintained a long term commercial relationship with Longte/ME and who appreciate the quality and services offered by the Longte/ME. Please refer to EQR Spreadsheet B-2 Australian Sales for Longte/ME's major customers in Australia.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

5. Describe the regulatory framework of the Australian market for the goods as it relates to competition policy, taxation, product standards and the range of the goods. Provide a copy of any regulation described, if available.

**As far as Longte is aware, the GUC are not subject to any special regulatory framework. The generally applicable laws concerning competition, taxation and sales contracts apply to the GUC. There is no product standard applicable to the GUC in Australia or globally.**

6. Describe any entry restrictions for new participants into the Australian market for the goods. Your response could include information on:
- resource ownership;
  - patents and copyrights;
  - licenses;
  - barriers to entry;
  - import restrictions; and
  - government regulations(including the effect of those government regulations).

*In responding to question 6 ensure that relevant regulations are referenced.*

**Anti-dumping investigations and anti-dumping duties are notable import restrictions.**

## L-2 Goods in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. The description should include all goods under consideration including those produced by your company. Your description could include information about:
- quality differences;
  - price differences;
  - supply/availability differences;
  - technical support differences;
  - the prevalence of private labels/customer brands;
  - the prevalence of generic or plain labels;
  - the prevalence of premium labels; and
  - product segmentation.

**Goods that fall within the goods description include all ferrous grinding balls, typically used for the comminution of metalliferous ores, that fall within the goods description regardless of the particular grade or alloy content. This covers a broad**

range of steel grinding balls with vastly different qualities and prices. However, Longte/ME produce and supply only premium quality forged balls to the Australian market.

Longte understands that the Australian grinding ball market as a whole is supplied by suppliers offering a large range of products (cast, forged, and at different quality), with significantly different price ranges.

As mentioned above, grinding ball consumers in both China and Australia typically value the source of grinding media on the basis of “total-cost-ownership”, that is, they will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration. Naturally, each customer may have its own commercial preferences or priorities which may affect the outcomes of negotiation and the sales terms.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

2. Describe the end uses of the goods in the Australian market from all sources.

**The GUC are used by mining companies in copper, gold and iron ore processing applications.**

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influencers in order of importance.

**Please see above at L-2.1.**

**Grinding ball consumers value the source of the grinding media on the basis of “total-cost ownership”. Consumers will generally assess the total value of the product taking into consideration price, consumption rate and supply chain costs. Longte/ME’s customers recognise Longte/ME’s premium quality and reliability of supply and technical support.**

4. Identify if there are any commercially significant market substitutes in the Australian market for the goods.

**There are no commercially significant market substitutes for the GUC in the Australian market. Forged balls and cast balls are substitutable for each other in the broad sense. In practice, however, customers need to use a particular kind of grinding balls based on their individual mill requirements, as cast and forged balls have different impact force performance.**

5. Identify if there are any commercially significant market complements in the Australian market for the goods.



**Longte understands that mill liners are usually consumed together with grinding balls. Mill liners protect the mill equipment from the impact of grinding balls and need to be replaced periodically based on usage rates.**

6. Have there been any changes in market or consumer preferences in the Australian market for the goods in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]**

### L-3 Relationship between price and cost in Australia

1. Describe the importance of the Australian market to your company's operations. In your response describe:
- (a) The proportion of your company's sales revenue derived from sales of the goods in Australia; and

**Please see Attachment J-3.1.**

- (b) The proportion of your company's profit derived from sales of the goods in Australia.

**Please see Attachment J-3.1.**

*In responding to question 1 please provide evidence supporting calculations.*

2. Is your organisation/business entity the price leader for the goods in the Australian market? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

**Longte/ME regard themselves as reliable suppliers of quality products at premium prices, dedicated to offering sustainable and long term cost efficiencies to their customers. In this sense, Longte/ME consider themselves to be leading suppliers that are well regarded in the Australian market, but not as the "price leader".**

3. Describe the nature of your product pricing (e.g., market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

**Pricing is influenced by mining industry demand and prevailing steel input prices (ie. iron ore prices and overall steel prices).**

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

4. Explain the process for how the selling prices of the goods for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined.

Please refer to Longte's response to question B-1.1 and above in this Section L.

5. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

6. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:
- Competitors' prices
  - Purchase price of raw materials
  - Cost to make and sell the goods
  - Level of inventory
  - Value of the order
  - Volume of the order
  - Value of forward orders
  - Volume of forward orders
  - Customer relationship management
  - Supplier relationship management
  - Desired profit
  - Brand attributes
  - Other [please define what this factor is in your response]

Please see answers above at L-2.1

As indicated above, grinding ball consumers value the source of the grinding media on the basis of "total-cost-ownership". Consumers will generally assess the total

value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

7. Describe the relationship between selling price and costs to make and sell in the Australian market. Does your company maintain a desired profit margin for the goods? If not, does your company seek to maintain a desired profit margin for the goods? Provide copies of internal documents which support your response to this question.

Please see response above in relation to pricing method and factors.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

8. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the Australian market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how the cost to make and sell are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

9. Do you offer bundled pricing in the Australian market? If yes, explain how the pricing for bundled sales is determined. Explain how the costs to make and sell are considered in establishing these bundled prices for the goods. Provide copies of internal documents which support your claims in response to this question.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

10. Does the volume of sales to a customer or the size of an order influence the selling price? If yes, advise how volume is used to determine selling prices. Explain how the costs to make and sell are considered in establishing volume based prices for the goods. Provide copies of internal documents which support your claims in response to this question.

Please refer to pricing considerations above at L-3.6

11. Does your organisation/business entity use sales contracts in the Australian market? If yes:
- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

- (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

- (c) How frequently are sales contracts renegotiated?

Please refer to response to the same question at L-3.5.

- (d) How frequently are price reviews conducted between contracts?

Please refer to response to the same question at L-3.5.

- (e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.

Please refer to response to the same question at L-3.5.

- (f) Do changes in your costs to make and sell enable you to review prices for customers within contracts?

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

- (g) Provide a list of the customers under contract during the investigation period and copies of the two largest contracts in terms of sales revenue.

Please see Attachment L-3.11.

12. Provide copies of any price lists for the goods used in the Australian market during the investigation period. If you do not use price lists, describe the transparency of your prices in the Australian market.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

13. How do you differentiate pricing for different products/models of the goods in the Australian market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost to make or selling cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

14. Do you tier or segment your Australian customers for the goods in terms of pricing? If yes, provide:
- (a) a general description of how this is done;
  - (b) list the factors that influence pricing differentiation in different tiers or segments; and
  - (c) explain how cost to make and selling costs are considered in making pricing decisions for different tiers or segments.

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

*Provide copies of internal documents which support your claims in response to this question.*

15. Do you sell the goods to related entities in Australia? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide copies of any internal documents relevant to establishing pricing to related parties.

Please refer to Longte's response to B-1.3. [CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

#### L-4 Marketing and sales support in the Australian market

1. How does your company market the goods in the Australian market? Include in your response the value proposition used (e.g., competitive price, superior quality, reliability, availability, etc.).

[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]

2. Does your company conduct brand segmentation in the Australian market for the goods? If yes, describe the brand segmentation used and provide the proportion of sales revenue derived from each brand segment.

The "Longte" and "ME" brands are offered to the respective customers.

3. Provide examples of your Australian advertising of the goods over the past five years. If you have not used advertising in Australia, provide examples of any other promotion campaigns you have conducted over the investigation period.

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]**

4. How many people are in your Australian sales team and where are they located? In general terms, how are they remunerated? If they are offered performance pay based on sales, describe the performance indicators used to establish the performance pay. Provide copies of internal documents which support your claims in response to this question.

**[CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]**

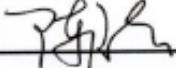
5. Describe what parameters are provided to sales staff to assist in establishing pricing for the goods when negotiating sales with customers. Provide copies of internal documents which support your claims in response to this question.

**As noted above at L-3.3, [CONFIDENTIAL TEXT DELETED – commercial practices regarding Australian market]**

## EXPORTER'S DECLARATION

I hereby declare that **Changshu Longte Grinding Ball Co., Ltd.** have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

Name : Ms. Chen Jie

Signature : 

Position in  
Company : Export Manager

Date : February 9th, 2021

## APPENDIX

# GLOSSARY OF TERMS

This glossary is intended to provide you with a basic understanding of technical terms that appear in the questionnaire.

### **Adjustments**

To enable a fair comparison between the export price and the normal value Australian legislation provides for the adjustment of the domestic price paid for like goods. Adjustments are made to account for sales occurring at different times, specification differences, and differences in the terms or circumstances of the sales. The adjustment to the normal value may be upward or downward. Areas where you believe an adjustment is necessary should be identified. Section E of the questionnaire refers.

Examples of adjustments that may be made include: *sales occurring at different times*

(it is sometimes necessary to compare domestic and export sales made at different times - in these circumstances an adjustment may be made to reflect price movements during that time); *specification differences; packaging; taxes; level of trade; advertising; servicing/warranty; inland freight; warehousing; export charges; credit terms; duty drawback; commissions.*

Adjustments may also be required where the normal value is based on costs to make and sell.

### **Arms length**

Sales are not considered to be at "arms length" on your domestic market if there is any consideration payable for the goods other than their price, or there is an association between the buyer and the seller which affects the price, or there will be a reimbursement, compensation or benefit for, or in respect of, the price.

### **Constructed value**

In cases where prices paid for like goods sold in the country of export cannot be used for the determination of normal value, i.e. when there are no or insufficient sales or where such sales were not made in the ordinary course of trade, normal value may be based on a constructed value. Constructed value is calculated on the basis of the cost of production of the goods under consideration plus a reasonable amount for selling, general and administration costs, and for profits, that are associated with sales on the domestic market of the country of export.

### **Cost of production/manufacturing**

The cost of production or manufacture consists of all manufacturing costs associated with the goods. It is the sum of direct materials, direct labour and factory overheads.

### **Cost to make and sell**

The cost to make and sell is the sum of the cost of production or manufacture, and the selling, general and administration costs associated with the sale of those goods.

### **Country of origin**

The country in which the last significant process in the manufacture or production of the goods was performed.



**Date of sale**

The Commission will normally use the invoice date as recorded in the exporter or producer's records. Another date may be used if this better reflects the material terms of sale. The questionnaire directs attention to matching data sets of domestic and export sales where some other date is used, as well as matching cost information.

**Direct labour cost**

Direct labour is categorised as a variable cost, i.e. the value varies with the level of production.

**Dumping**

Dumping occurs when the products of one country are exported to another country at a price less than their normal value.

**Dumping margin**

Where the export price is less than the normal value the dumping margin is the amount of the difference. It can be expressed as a value or as a percentage of the export price.

**Export price**

The export price of the goods is usually the price paid or payable to the exporter in arms length transactions, in most instances calculated at the Free on Board (FOB) level.

**Exporting country**

The country of export is normally the country of origin from which the goods are shipped. The country of export may be an intermediate country, except where the products are merely transhipped through that country, or the products concerned are not produced in that country, and there is no comparable price in that country.

**Factory overheads**

Factory overheads consist of variable costs e.g. power, supplies, indirect labour and fixed costs e.g. factory rent, factory insurance, factory depreciation etc.

**Goods under consideration (the goods)**

The goods to which the application for anti-dumping action relates. That is, the goods that you have exported to Australia allegedly at dumped prices.

**Incoterms**

The following abbreviations are commonly used (comment is provided concerning costs that are normally borne by the seller):

- |     |  |
|-----|--|
| EXW | ex works (the seller's minimum obligation as costs relate to goods being made available at the sellers premises)   |
| FCA | free carrier (main carriage not paid by seller. Pay costs until such time that the goods have been delivered at the named point into custody of a carrier named by the seller. Customs formalities, taxes etc. paid if required) |
| FAS | free alongside ship (main carriage not paid by seller. Deliver the goods alongside the ship)   |

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FOB	free on board (main carriage not paid by seller. Deliver the goods on board, provide export clearance if required, pay loading costs to the point the goods have passed the ship's rail, pay customs formalities, taxes etc. payable upon exportation)
CFR	cost and freight (main carriage paid by seller. Pay all costs until delivered as well as freight, loading and unloading, pay customs formalities, taxes etc. payable upon exportation)
CIF	cost, insurance and freight (main carriage paid by seller. Pay all costs as under CFR as well as marine insurance)
	the terms CFR and CIF are only used where goods are carried by sea or waterway transport
CPT	carriage paid to
CIP	carriage and insurance paid to
	the terms CPT and CIP are used as alternatives to CFR and CIF where the goods are carried by air, road, rail etc.
DAF	delivered at frontier (goods carried by rail or road and cleared for export at the named place at the frontier. Pay costs until delivered at the frontier plus any discharge costs incurred to place the goods at the customer's disposal)
DES	delivered ex ship (goods made available to the buyer on board the ship uncleared for import at the named port of destination. Pay all costs incurred in placed at the disposal of the buyer, pay customs formalities, taxes etc. payable upon exportation, and where necessary for transit through another country)
DDU	delivered duty unpaid (Pay all costs for carriage to the agreed point, pay customs formalities, taxes etc. payable upon exportation, and where necessary for transit through another country)
DDP	delivered duty paid (goods made available at the named place in the country of importation – all risks and costs being incurred by the seller including duties, taxes etc. incurred upon importation)

### **The period**

A period defined by the Commission over which importations of the goods are examined.

### **Like goods**

Like goods are goods sold on the domestic market of the country of export (or to a third country) that are identical in all respects to the goods or that, although not alike in all respects have characteristics closely resembling those of the goods. The term 'like goods' also refers to the goods produced by the Australian industry allegedly being injured by dumped imports.

### **Normal value**

Australian legislation sets out several ways to assess "normal value".

The preferred method is to use the price paid for like goods sold for domestic consumption in the country of export. Usually, these sales are made by you, but there may be circumstances where it is appropriate to use sales made by other sellers on the domestic market.

Sale prices must be at arms length and in the ordinary course of trade. In the absence of relevant or suitable domestic sales, the normal value may be determined by constructing a price based on all costs to make and sell the goods, and an amount for profit. Alternatively the normal value may be ascertained using the price paid for like goods sold in the ordinary course of trade at arms length to customers in a country other than Australia, however this option is rarely used.

Finally, when a normal value cannot be ascertained by any of the above methods, or if no information is provided, the Commission will determine the normal value by considering all the relevant information, including the applicant's information. This allows the applicant's information to be used where sufficient information has not been furnished or is not available.

Where domestic price generally, and the trade of the exporting country are determined or substantially influenced by the government of the exporting country, an alternative/surrogate market economy is selected by the Commission and the normal value is determined as if the surrogate country were the export source.

### **Ordinary course of trade**

Testing for "ordinary course of trade" includes a comparison of the selling price and the unit cost to make and sell for the same period. If sales in respect of a substantial quantity of goods over an extended period of time, usually 12 months, do not recover all costs and these losses are not likely to be recovered within a reasonable period of time, (again usually 12 months) then the sales are regarded as being not in the ordinary course of trade.

There may be circumstances where it is appropriate to use a period other than 12 months in assessing whether sales are in the ordinary course of trade.

Unprofitable sales are to be taken to have occurred in substantial quantities during an extended period where the unprofitable sales amount to 20% or more of the total volume of sales of the goods by the exporter over the period. An extended period of time is usually taken to be a period not less than 12 months. Where unprofitable sales are rejected, normal value is based upon remaining profitable sales provided they occur in sufficient number. Where all sales have been made at a loss, or profitable sales are insufficient, the normal value may be constructed from costs to make and sell.

### **Selling, general and administration expenses (SG&A)**

The selling, general and administration expenses includes all selling, distribution, general and administration expenses including finance costs that would be incurred if the goods were sold for domestic consumption in the country of export. The amounts are determined in each case using all the available information and may include expenses incurred in:

- . domestic sales of like goods;
- . sale of goods of the same general category by the exporter; or
- . sales in the industry in the country of export.

The expenses must, however, reflect the selling, general and administration costs of the goods. Administrative and selling expenses include: director's fees, management salaries and benefits, office salaries and benefits, office supplies, insurance, promotion, entertainment, depreciation and corporate overheads.