

Opinion about the cost in the curse of anti-dumping with the cost from third country

We are a joint venture set up in 1993, the owners of our company are: Laizhou Tractor Fitting parts factory (now named: Laizhou Xinhaofa Investment Co.,Ltd.), which take 38% share, (Private own); China CAIEC I/E Corp. 37% ; CAPCO international Inc. 25%. We make the brake rotors according to the market requirement, and developing the market in domestic and abroad, we manage the company strictly for the lower cost, and enlarge the capacity with our profit step by step, we have never gotten any imburse from our government; our capacity is 5 million pieces with our own hard work.

After the company being set up, we do the production and the business according to the requirement of country law also according to the rule of marketing, and ratepaying according the law, all the members of the management were decided by directorate, which have not any relations with our government. We buying the raw materials from the market with marketing prices and selling the products according to the marketing requirements with our reasonable profits, anyway, our government only take care if they can get the money from us with TAX, and don't care what you had done in the daily business.

We always sell our products with reasonable prices according to the cost of raw materials, cost of labor, reasonable profit and some other cost, once the cost of raw materials had been changed and have little profit, then we have to adjust our prices to keep the reasonable profit, we had adjusted the prices as followings as the example:

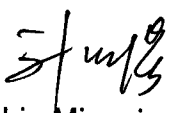
Because of prices rising of raw materials such as pig iron, coke and so on, we have to adjust the sales prices being increased 5% in June of 2006;

Because of prices rising of raw materials such as pig iron, coke ,the rate of RMB to USD and so on, we have to adjust the sales prices being increased 4% in April of 2007;

Because of prices huge rising of raw materials such as pig iron, coke and so on, we have to adjust the sales prices again being increased 8% in May of 2007.

In one word: we are in the marketing condition, everything like life of our company are decided by marketing, if our business is good then we can live in the world, and continue to pay the tax to our government, if not, we have to close our company and we have to go back home or find another job for ourselves.

Herein above fact, we think that the US government uses the cost from third country as our cost in the course of antidumping is unfair, we are the marketing company in the marketing condition, since no one company would like to do the stupid business for loosing money from the sales, so we hope US government can audit or review the cost of company with local cost.



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