



A-570-970
Changed Circumstances Review
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September 14, 2015

MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh *CM*
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of the
Antidumping Duty Changed Circumstances Review of
Multilayered Wood Flooring from the People's Republic of China:
Sino-Maple (JiangSu) Co., Ltd.

SUMMARY

The Department of Commerce (the "Department") analyzed a request for an expedited changed circumstances review ("CCR") submitted by Sino-Maple (JiangSu) Co., Ltd. ("Sino-Maple") to establish Sino-Maple as the successor-in-interest to Jiafeng Wood (Suzhou) Co., Ltd. ("Jiafeng"). As a result of our analysis, we recommend that the Department preliminarily determine that Sino-Maple is the successor-in-interest to Jiafeng for purposes of the antidumping duty ("AD") order on multilayered wood flooring from the People's Republic of China ("PRC").

BACKGROUND

On December 23, 2014, the Department received a request on behalf of Sino-Maple for an expedited CCR to establish Sino-Maple as the successor-in-interest to Jiafeng for purposes of the AD order on multilayered wood flooring from the PRC.¹ On January 16, 2015, Sino-Maple responded to the Department's supplemental questionnaire, which was issued on January 9,

¹ See Letter from Sino-Maple to the Department regarding, "Multilayered Wood Flooring from the PRC: Request of Sino-Maple (Jiangsu) Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. for Changed Circumstances Review," dated December 23, 2014 ("CCR Request").



2015.² On February 10, 2015, Sino-Maple responded to the Department's second supplemental questionnaire, which was issued on February 4, 2015.³

On March 13, 2015, the Department initiated a CCR of the AD order on multilayered wood flooring from the PRC in response to Sino-Maple's CCR request.⁴ In the Initiation Notice, we stated that based on information provided by Sino-Maple, Jiafeng began a mandatory 180-day liquidation period on December 29, 2014, during which its business license and registration number were suspended. Upon completion of the mandatory 180-day liquidation period, according to Sino-Maple, the liquidation of Jiafeng would be complete and the company would be terminated. We noted that the Department intended to issue a supplemental questionnaire following the 180-day liquidation period requesting evidence of the completion of Jiafeng's liquidation process and Jiafeng's subsequent termination as a legal entity.

On June 22, 2015, we received an unsolicited submission from Sino-Maple with evidence that Jiafeng's liquidation is complete and that Jiafeng has been terminated.⁵ We have received no comments opposing Sino-Maple's request.

SCOPE OF THE ORDER

Multilayered wood flooring is composed of an assembly of two or more layers or plies of wood veneer(s) in combination with a core. The several layers, along with the core, are glued or otherwise bonded together to form a final assembled product. Multilayered wood flooring is often referred to by other terms, e.g., "engineered wood flooring" or "plywood flooring." Regardless of the particular terminology, all products that meet the description set forth herein are intended for inclusion within the definition of subject merchandise.

All multilayered wood flooring is included within the definition of subject merchandise, without regard to: dimension (overall thickness, thickness of face ply, thickness of back ply, thickness of core, and thickness of inner plies; width; and length); wood species used for the face, back and inner veneers; core composition; and face grade. Multilayered wood flooring included within the definition of subject merchandise may be unfinished (i.e., without a finally finished surface to protect the face veneer from wear and tear) or "prefinished" (i.e., a coating applied to the face veneer, including, but not exclusively, oil or oil-modified or water-based polyurethanes, ultra-violet light cured polyurethanes, wax, epoxy-ester finishes, moisture-cured urethanes and acid-curing formaldehyde finishes). The veneers may be also soaked in an acrylic-impregnated finish. All multilayered wood flooring is included within the definition of subject merchandise

² See Letter from Sino-Maple to the Department regarding, "Multilayered Wood Flooring from the PRC: Response of Sino-Maple (Jiangsu) Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. to Supplemental Changed Circumstances Review Questionnaire," dated January 16, 2015 ("Supplemental Questionnaire Response").

³ See Letter from Sino-Maple to the Department, regarding "Multilayered Wood Flooring from the PRC: Response of Sino-Maple (Jiangsu) Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. to Second Supplemental Changed Circumstances Review Questionnaire," dated February 10, 2015 ("Second Supplemental Questionnaire Response").

⁴ See Initiation of Antidumping Duty Changed Circumstances Review: Multilayered Wood Flooring From the People's Republic of China, 80 FR 13328 (March 13, 2015) ("Initiation Notice").

⁵ See Letter from Sino-Maple to the Department, regarding "Multilayered Wood Flooring from the PRC: Voluntary (Third) Supplemental Changed Circumstances Review Response of Sino-Maple (Jiangsu) Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd.," dated June 22, 2015 ("Voluntary Response").

regardless of whether the face (or back) of the product is smooth, wire brushed, distressed by any method or multiple methods, or hand-scraped. In addition, all multilayered wood flooring is included within the definition of subject merchandise regardless of whether or not it is manufactured with any interlocking or connecting mechanism (for example, tongue-and-groove construction or locking joints). All multilayered wood flooring is included within the definition of the subject merchandise regardless of whether the product meets a particular industry or similar standard.

The core of multilayered wood flooring may be composed of a range of materials, including but not limited to hardwood or softwood veneer, particleboard, medium-density fiberboard, high-density fiberboard (“HDF”), stone and/or plastic composite, or strips of lumber placed edge-to-edge.

Multilayered wood flooring products generally, but not exclusively, may be in the form of a strip, plank, or other geometrical patterns (e.g., circular, hexagonal). All multilayered wood flooring products are included within this definition regardless of the actual or nominal dimensions or form of the product. Specifically excluded from the scope are cork flooring and bamboo flooring, regardless of whether any of the sub-surface layers of either flooring are made from wood. Also excluded is laminate flooring. Laminate flooring consists of a top wear layer sheet not made of wood, a decorative paper layer, a core-layer of HDF, and a stabilizing bottom layer.

Imports of the subject merchandise are provided for under the following subheadings of the Harmonized Tariff Schedule of the United States (“HTSUS”): 4412.31.0520; 4412.31.0540; 4412.31.0560; 4412.31.2510; 4412.31.2520; 4412.31.4040; 4412.31.4050; 4412.31.4060; 4412.31.4070; 4412.31.5125; 4412.31.5135; 4412.31.5155; 4412.31.5165; 4412.31.3175; 4412.31.6000; 4412.31.9100; 4412.32.0520; 4412.32.0540; 4412.32.0560; 4412.32.2510; 4412.32.2520; 4412.32.3125; 4412.32.3135; 4412.32.3155; 4412.32.3165; 4412.32.3175; 4412.32.3185; 4412.32.5600; 4412.39.1000; 4412.39.3000; 4412.39.4011; 4412.39.4012; 4412.39.4019; 4412.39.4031; 4412.39.4032; 4412.39.4039; 4412.39.4051; 4412.39.4052; 4412.39.4059; 4412.39.4061; 4412.39.4062; 4412.39.4069; 4412.39.5010; 4412.39.5030; 4412.39.5050; 4412.94.1030; 4412.94.1050; 4412.94.3105; 4412.94.3111; 4412.94.3121; 4412.94.3131; 4412.94.3141; 4412.94.3160; 4412.94.3171; 4412.94.4100; 4412.94.5100; 4412.94.6000; 4412.94.7000; 4412.94.8000; 4412.94.9000; 4412.94.9500; 4412.99.0600; 4412.99.1020; 4412.99.1030; 4412.99.1040; 4412.99.3110; 4412.99.3120; 4412.99.3130; 4412.99.3140; 4412.99.3150; 4412.99.3160; 4412.99.3170; 4412.99.4100; 4412.99.5100; 4412.99.5710; 4412.99.6000; 4412.99.7000; 4412.99.8000; 4412.99.9000; 4412.99.9500; 4418.71.2000; 4418.71.9000; 4418.72.2000; 4418.72.9500; and 9801.00.2500.

While HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise is dispositive.

PRELIMINARY RESULTS OF THE CHANGED CIRCUMSTANCES REVIEW

Pursuant to section 751(b)(1) of the Tariff Act of 1930 (as amended) (“the Act”) and 19 CFR 351.216(d), the Department will conduct a CCR upon receipt of a request from an interested party or receipt of information concerning an AD order which shows changed circumstances

sufficient to warrant a review of the order. As explained above, we initiated a CCR upon finding that Sino-Maple submitted evidence sufficient to warrant a review. Since that time, Sino-Maple has submitted additional information in support of its claim that it is the successor-in-interest to Jiafeng. A discussion of the Department's methodology and preliminary findings regarding Sino-Maple's request follows.

Discussion of Methodology

In making a successor-in-interest determination, the Department examines several factors, including but not limited to, changes in: (1) management; (2) production facilities; (3) supplier relationships; and (4) customer base.⁶ While no single factor or combination of these factors will necessarily provide a dispositive indication of a successor-in-interest relationship, the Department will generally consider the new company to be the successor to the predecessor if the resulting operations of the successor are not materially dissimilar to that of its predecessor.⁷

Thus, if the record demonstrates that, with respect to the production and sale of the subject merchandise, the new company operates in all material respects as the same business entity as the predecessor company, the Department will treat the successor company the same as the predecessor and assign the new company the cash deposit rate of its predecessor.⁸

Analysis

In its CCR request, Sino-Maple provided a description and numerous exhibits in support of its claim that it is the successor-in-interest to Jiafeng. Sino-Maple stated that the only changes from Jiafeng to Sino-Maple are: 1) the relocation of all offices and factory from the Wuzhong Zone of Suzhou City to the Wujiang Zone of Suzhou City, and 2) the name change of the company required by law as a result of relocation. Specifically, Sino-Maple stated that on March 26, 2013, the local government in Suzhou City, where Jiafeng was located, announced plans for development of the area. Because of new development and construction plans, certain buildings, including Jiafeng's offices and factory, were relocated. To support its claim, Sino-Maple provided a notification from the local government informing Jiafeng that due to development plans, Jiafeng would have to relocate by the end of 2014.⁹ Sino-Maple also explained that due to provisions of PRC company law, the process of relocation required the organization of a new corporate entity, including a new name.¹⁰ On May 24, 2013, Emerald Plantation Group Ltd. ("EPGL"), the ultimate owner, through intermediaries, of Jiafeng, selected Sino-Maple as the company's new name.¹¹ Sino-Maple was selected due to the fact that it was the most well-known and commercially successful brand operated by Jiafeng.¹² According to Sino-Maple, all

⁶ See, e.g., Certain Activated Carbon From the People's Republic of China: Notice of Initiation of Changed Circumstances Review, 74 FR 19934, 19935 (April 30, 2009).

⁷ See, e.g., Notice of Initiation of Antidumping Duty Changed Circumstances Review: Certain Forged Stainless Steel Flanges from India, 71 FR 327, 327 (January 4, 2006).

⁸ See, e.g., Fresh and Chilled Atlantic Salmon From Norway: Final Results of Changed Circumstances Antidumping Duty Administrative Review, 64 FR 9979, 9980 (March 1, 1999).

⁹ See CCR Request at Exhibit 3.

¹⁰ Id. at Exhibit 4.

¹¹ Id. at Exhibit 5.

¹² Id. at 3 and Exhibits 4-5 and Exhibit 7.

operations ceased at Jiafeng's location in the Wuzhong Zone, and all operations resumed at Sino-Maple's location in the Wujiang Zone on November 20, 2014.

1) Ownership and Management

Sino-Maple stated that the officers, managers, and all employees of Jiafeng were transferred to Sino-Maple.¹³ To support its claim, Sino-Maple presented appointment letters for management personnel for both Jiafeng and Sino-Maple.¹⁴ The names of management personnel are the same for both Jiafeng and Sino-Maple. Additionally, certain appointment letters issued by Sino-Maple state that all of Jiafeng's staff shall be relocated to Sino-Maple.¹⁵ The ownership structure for the company established that EPGL is the ultimate owner of both Jiafeng and Sino-Maple.¹⁶

In our supplemental questionnaire, we asked Sino-Maple to provide supporting documentation of the company's ownership structure. Sino-Maple provided approval certificates and share registers for Jiafeng and Sino-Maple and their respective parent companies.¹⁷ While the companies' immediate owners changed (i.e., from SFR (China) Inc. to Sino-Forest (China) Investments Co., Ltd.), there is no evidence that this change affected company operations, and the ownership structure chart indicates that EPGL is the sole owner of these immediate parent companies. Based on Sino-Maple's response and supporting documentation, we preliminarily find that Jiafeng's and Sino-Maple's management and ownership did not materially change.

2) Production Facilities

Sino-Maple stated that all production equipment would be moved from Jiafeng to Sino-Maple in the relocation notification letters sent to the company's customers.¹⁸ Sino-Maple explained that although the company relocated to a new location, there were no changes in product lines, labor force, or production facilities. Rather, the company took all of its equipment and facilities when it moved. In the CCR request, Sino-Maple provided a fixed assets listing before and after the change, which indicated that there were no changes in the fixed assets.¹⁹

In our supplemental questionnaire, we asked Sino-Maple to provide internal company documentation supporting the fixed assets listing provided in the CCR request. In response, Sino-Maple provided fixed assets inventory checklists for Jiafeng and Sino-Maple, as well as Sino-Maple's fixed assets ledger from its financial system.²⁰ The fixed assets inventory checklists and fixed assets ledger are the same for both Jiafeng and Sino-Maple.

Based on the fixed assets inventory checklists for both entities and Sino-Maple's fixed assets ledger, we preliminarily find that although Sino-Maple's physical location changed, the

¹³ Id. at 6.

¹⁴ Id. at Exhibit 8 and 9.

¹⁵ Id. at Exhibit 8.

¹⁶ Id. at Exhibit 1. As noted below, effective May 29, 2015, Jiafeng no longer exists as a corporate entity.

¹⁷ See Questionnaire Response at 1 and Exhibits 13 and 14.

¹⁸ See Second Questionnaire Response at Exhibit 20.

¹⁹ See CCR Request at Exhibit 10.

²⁰ See Questionnaire Response at 2 and Exhibit 15.

production facilities remained essentially the same with respect to the production of subject merchandise.

3) Supplier Relationships

Sino-Maple reported that the company's suppliers were not affected by the relocation or name change, and that the company's raw material suppliers prior to the change continued to be the same after the business was assumed by Sino-Maple.²¹ To support its claim, Sino-Maple provided a list of the company's raw material suppliers before and after the change.²² The company's suppliers identified on the lists are the same before and after the change.

In our supplemental questionnaire, we asked Sino-Maple to provide internal company documentation supporting the list provided in the CCR request. In response, Sino-Maple presented sample purchase contracts showing purchases by Sino-Maple from the same suppliers as Jiafeng.²³ Sino-Maple noted that because Sino-Maple requested this CCR promptly after its formation, it has not concluded sales contracts with all of its former suppliers. However, Sino-Maple noted that it continues to maintain an active relationship with the same suppliers.

In our second supplemental questionnaire, we requested evidence that previous contracts negotiated by Jiafeng, which have not been renegotiated under Sino-Maple, were transferred to Sino-Maple. We also requested additional documentation demonstrating that Sino-Maple maintained an active relationship with Jiafeng's previous suppliers, and Sino-Maple's intention to conduct business with other suppliers. In response, Sino-Maple provided sample agreement letters from Jiafeng and Sino-Maple, which Sino-Maple states were sent to all of Jiafeng's suppliers at the time of the relocation of the factory, informing the suppliers of the relocation, of the change in the company's name, and of the assumption of all business by Sino-Maple.²⁴ These letters included a section for suppliers to indicate whether they will continue business with Sino-Maple. The suppliers indicated that they will continue business with Sino-Maple.²⁵

Based on this information, we preliminarily find that Sino-Maple's supplier relationships remain materially the same before and after the change.

4) Customer Base

Sino-Maple reported that the company's customers were not affected by the relocation or name change, and that the company's domestic and export customers prior to the change continued to be the same after the business was assumed by Sino-Maple.²⁶ To support its claim, Sino-Maple provided a list of the company's customers before and after the change.²⁷ The lists are the same before and after the change.

²¹ See CCR Request at 7.

²² *Id.* at Exhibit 11.

²³ See Questionnaire Response at 2 and Exhibit 16.

²⁴ See Second Questionnaire Response at 4 and Exhibit 19.

²⁵ *Id.* at Exhibit 19.

²⁶ See CCR Request at 7.

²⁷ *Id.* at Exhibit 12.

In our supplemental questionnaire, we asked Sino-Maple to provide internal company documentation supporting the list provided in the CCR request. In response, Sino-Maple presented sample sales contracts showing purchases by Sino-Maple from the same customers as Jiafeng.²⁸ Sino-Maple noted that because Sino-Maple requested this CCR promptly after its formation, it has not concluded sales contracts with all of its former customers. However, Sino-Maple noted that it continues to maintain an active relationship with the same customers.

In our second supplemental questionnaire, we requested evidence that previous contracts negotiated by Jiafeng, which have not been renegotiated under Sino-Maple, were transferred to Sino-Maple. We also requested additional documentation demonstrating that Sino-Maple maintains an active relationship with Jiafeng's previous U.S. customers, and Sino-Maple's intention to conduct business with other U.S. customers. In response, Sino-Maple provided sample agreement letters from Jiafeng and Sino-Maple, which Sino-Maple states were sent to all of Jiafeng's customers at the time of the relocation of the factory, informing the customers of the relocation, of the change in the company's name, and of the assumption of all business by Sino-Maple.²⁹ These letters included a section for customers to indicate whether the customer will continue business with Sino-Maple. In these sample letters, the customers indicated that they will continue business with Sino-Maple.³⁰ Additionally, Sino-Maple provided several emails between Sino-Maple and customers indicating that Sino-Maple is communicating with the same customers throughout the transition period.³¹

Based on this information, we preliminarily find that the customer base remains materially the same before and after the change.

5) Termination of Jiafeng

In the Initiation Notice, we stated that based on Sino-Maple's submissions, Sino-Maple indicated that Jiafeng will be terminated and liquidated at the end of its 180-day liquidation period which began on December 29, 2014. In Sino-Maple's June 22, 2015, submission, it clarified that the liquidation period was to be completed within 180 days, rather than after 180 days as indicated in the Initiation.³² In the June 22, 2015, submission, Sino-Maple provided certain documents demonstrating Jiafeng's termination process which resulted in the ultimate cancellation of Jiafeng.

Specifically, Sino-Maple provided the Approval of Termination of Jiafeng, issued by the Suzhou Wuzhong Administration Committee of Economic Development Zone on May 28, 2015, which demonstrates that Jiafeng was approved for termination.³³ Additionally, Sino-Maple provided a liquidation report, released by Jiafeng's Liquidation Team, which indicates that the company was fully liquidated on May 28, 2015.³⁴ Sino-Maple also provided evidence that Jiafeng's customs

²⁸ See Questionnaire Response at 2 and Exhibit 17.

²⁹ See Second Questionnaire Response at 4 and Exhibit 20.

³⁰ Id. at Exhibit 20.

³¹ Id. at Exhibit 21.

³² See June 22, 2015, submission at 2.

³³ Id. at Exhibit 22.

³⁴ Id. at Exhibit 23.

registration was canceled by China Customs of Suzhou on May 21, 2015.³⁵ Sino-Maple provided a memorandum, dated May 28, 2015, from a shareholders' meeting which indicates shareholders' agreement on the liquidation report and cancellation of enterprise registration.³⁶ The Administration of Industry and Commerce, Suzhou, issued the cancellation of Jiafeng's business license on May 29, 2015.³⁷ Sino-Maple provided a screen shot of the Jiangsu Province government website, which indicates that Jiafeng's legal company registration was cancelled effective May 29, 2015.³⁸ Based on information provided in Sino-Maple's June 22, 2015, submission, we preliminarily determine that Jiafeng is cancelled and fully liquidated.

6) Summary of Preliminary Findings

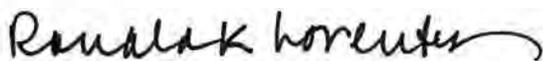
Based on the evidence reviewed, we preliminarily determine that Sino-Maple is the successor-in-interest to Jiafeng. Specifically, we find that the change of the company's relocation and name change resulted in no material changes to management, production facilities, supplier relationships, and/or customer base with respect to the production and sale of the subject merchandise. Furthermore, the record contains evidence that Jiafeng has been fully terminated. Thus, given the totality of the circumstances, we preliminarily find that Sino-Maple operates in all material respects as the same business entity as Jiafeng regarding the production and sale of subject merchandise.

RECOMMENDATION

Based on our analysis of the information contained in Sino-Maple's CCR request, we recommend that the Department preliminarily determine that Sino-Maple is the successor-in-interest to Jiafeng for purposes of the AD order on multilayered wood flooring from the PRC.

Agree

Disagree



Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

September 17, 2015
(Date)

³⁵ Id. at Exhibit 24.

³⁶ Id. at Exhibit 25.

³⁷ Id. at Exhibit 26.

³⁸ Id. at Exhibit 27.