

Investment Opportunities in the Metal Industry in Taiwan

I. Reasons to invest in the metal industry in Taiwan

1. Taiwan is the 13th largest exporting country for metal products in the world
2. Taiwan is the 6th largest exporting country for hand tools in the world (number two for agriculture, forestry and gardening hand tools and wrenches)
3. Taiwan is the 3rd largest exporting country for screws and screw caps in the world
4. Intense industrial cluster effects and healthy and complete supply chains as well as high availability of upstream and downstream processing service providers
5. The metal industries in Taiwan and China are complementary to one another
6. Complete industrial value chain from the upstream to the downstream
7. Operational flexibility - task division by specialization during collaboration between large and small enterprises, small batches with high diversity or mass product production are all possible
8. Complete product lines, ability to produce flexibly, mature production technologies and rich experiences and excellent relationships with worldwide clients
9. The complete industrial value chain is perfect for joint-marketing and branding initiatives and integrations into the world market

II. Introduction of Major Suppliers and Output of Metal Industry in Taiwan

The upstream steel industry and midstream metal product industry are two major segments for the metal industry in Taiwan. The metal industry output value was NT\$2,187.3 billion in 2013. Basic metal was NT\$1,224.8 billion and metal product was NT\$724.9 billion.

Table 1 Output Value of Metal Industry in Taiwan

Unit: NT\$ 100 million

	2010	2011	2012	2013	Growth(%)
Basic Metal	16,925	18,163	15,735	14,624	-7.06
Steel	14,187	15,199	12,930	12,248	-5.27
Metal Product	6,973	7,802	7,404	7,249	-2.09
Hand Tool	583	618	645	677	4.96
扣件	1,124	1,287	1,213	1,239	2.14
表面處理	1,448	1,615	1,471	1,409	-4.21
模具	519	569	538	566	5.20
Total	23,898	25,965	23,139	21,873	-5.47

資料來源：金屬工業中心

With high quality materials supplied from China Steel, metal product suppliers are favorably reviewed by customers worldwide. A majority of suppliers in the steel industry are located in Kaohsiung City, and based on product types, the metal product industry has formed different industrial clusters located in different areas. For example, 80% of the hand tool suppliers are located in the Taichung and Changhua areas, while suppliers of screws and screw caps mostly gather in the Kaoshiung and Tainan areas. Within the metal industry, a handful of top performers are capable of achieving a net profit ratio of 7% or higher (refer to Table 2). Among them are China Steel, or the largest billet suppliers in Taiwan; Global Union, or known brand for large bathroom and kitchen cabinet and equipment; Catcher Technology, or the global leading brand in 3C magnesium alloy and die-casting products; Shenmao Technology, or the third largest professional manufacturer of tin solder bards; Yuan Feng Industrial Co., LTD, the largest wheel rim and aluminum ring supplier in Taiwan; Sheh Kai Precision Co, or the largest exporter for stainless steels, alloy steels and compound screws; San Shing Fastech Corp., or the largest manufacturer of screw cap; and Taiwan Fu Hsing Industrial Co., LTD, or the largest door lock supplier

in the world. These top achievers are important indicators for the world-leading position of the metal industry in Taiwan.

Table 1 Major Suppliers in the Metal Industry in Taiwan

Unit: USD\$100 millions, %

Key Products	Company	2013		2012		2011	
		Revenue	Net Profit Ratio	Revenue	Net Profit Ratio	Revenue	Net Profit Ratio
Guideway	King Slide	37.70	37.00	35.91	29.40	26.17	34.30
Tin Products	Chernan Technology	14.99	7.94	16.09	8.55	20.05	10.90
Faucet	Global Union	188.10	10.30	180.90	-1.29	185.00	1.66
food and beverage packaging containers	Great China Metal Ind	83.22	10.50	85.35	9.70	77.08	9.82
die casting of Magnesium products	Catcher Technology	432.50	32.00	370.30	29.40	359.10	29.70
Steel Bars	China Metal Products Co., Ltd	149.20	25.70	161.70	4.17	165.30	2.69
steel pipe	Tycoons	101.40	-4.21	110.90	-3.17	109.30	0.93
Steel Billets	China Steel	3478.00	5.28	3585.00	1.62	4010.00	4.86
Alloy Wheels	Yuan Feng Industrial Co., LTD	9.01	-16.00	12.76	-6.96	13.87	1.01
Screw	Sheh Kai Precision	5.55	8.05	6.92	7.21	8.07	15.60
bar solder	Shenmao Technology	58.68	6.03	35.67	9.88	42.35	12.10
Screw and screw cap	San Shing Fastech Corp.	64.51	14.60	52.24	9.58	63.86	12.80
AEROSPACE FASTENERS	National Aerospace Fasteners Corp	10.64	10.40	12.55	14.40	9.65	12.70
Door Lock	Taiwan Fu	58.88	10.10	50.15	7.71	43.24	7.37

Key Products	Company	2013		2012		2011	
		Revenue	Net Profit Ratio	Revenue	Net Profit Ratio	Revenue	Net Profit Ratio
	Hsing Industrial Co., LTD						
Steel Can	Ton Yi Industrial Corp	331.90	3.95	279.70	0.97	264.50	3.72
Steel Wire and Wire Rope	Chia Ta World CO., Ltd.	8.22	-2.36	10.62	3.79	10.82	6.44
Steep Pipe	Mayer Steel Pipe Corp	53.31	3.41	57.08	1.92	75.83	-5.26
steel plate	Hsin Kuang Steel Co	86.24	3.86	77.77	-2.77	77.86	2.53
lead ingot	Thye Ming Industrial Co., LTD	88.91	8.02	97.40	5.74	104.10	3.55
Wire	New Best Wire Industrial Co., LTD	49.76	4.37	42.95	-0.93	51.70	3.57
Steel Bars	CHIH LIEN INDUSTRIAL CO	16.10	2.83	16.32	-6.11	19.43	6.28
Steel Bars/ Steel Round Bar	Feng Hsin Iron & Steel	299.00	4.84	342.00	4.74	386.00	6.92
Steel Plate	First Copper Technology CO., LTD	37.78	1.16	41.67	0.45	55.20	-0.62

Source: MOPS(2014.05)

III. Taiwan, the Hand Tool Kingdom, Ranked number two in the World

Taiwan is known as the hand tool kingdom in the world. There are about 630 suppliers and 14,000 workers employed in this industry, and the industrial cluster effect is brilliantly intense. In the center of Taiwan(Taichung and Changhua), about 80% of the hand tool suppliers (including suppliers for hand

tool accessories) gather in central Taiwan to form a complete industrial ecosystem, and the standards of RD and production technologies possessed by these suppliers are second to none in the world!

Table 3 Market Indicator of Taiwan's Hand Tools Industry

Unit: USD\$100 millions

	2010	2011	2012	2013(e)	2014(f)
Output Value	583.0	618.0	644.5	669.4	690.5
Import Value	45.7	47.6	40.3	41.9	42.5
Export Value	539.6	593.4	590.1	571.1	595.0
Domestic Consumption	89.0	72.2	94.7	140.2	138.0
Import dependence (%)	51%	66.0%	42.6%	29.2%	30.1%
Export Ratio (%)	93.0%	96.0%	91.6%	85.3%	86.2%

Source : MII-ITIS (2014/02)

The output value in the hand tool industry reaches NT\$67.7 billions in 2013, which grew 4.96% in comparison to 2012. The export value reached NT\$57.1 billion in 2013, with 3.22% decline. The import value was NT\$4.19 billion in 2013, and grew 3.97% from previous year. The output value of hand tool industry continues to grow from 4th quarter in 2012 to 3rd quarter in 2013. Though it appears to decrease slightly in 4th quarter in 2013, its overall export performance is still very well under this sluggish global economy, indicating the strength and future potential of Taiwan's hand tool industry.

Facing price and quantity competition from China, the hand tool industry in Taiwan has shifted their product focus to high value-added products such as digital products and medical devices. The US is the major exporting countries for the industry and the export value was NT\$16.96 billion, which accounts for 28.9% of industry exports. Followed by Germany, the export value was NT\$3.95 billion and 6.7% share. China is the third one, with NT\$3.16 billion export value and 5.4% share. As ECFA was signed in June, 2010, pliers, wrenches, hammers and screwdrivers have been included in the early harvest list, further distinguishing the advantages of the hand tool industry in Taiwan. This, when

combined with the fact that China is the largest market in the world, will ensure that a rosy outlook of the industry are expected.

IV. Taiwan is the most important production country for screws and screw caps and the third largest exporting country in the world

With a history of 50 years, Taiwan is the primary production country in screw and screw cap production in the world. A high number of factories are located in Kaoshiung County and Tainan County and the Gangshan area is the origin and production anchor town for screw and screw caps (top brands including Chun Yu, Tycoons, LCSY-Fastener and Jinn Her Enterprise Co., LTD are all located here). There are 1,290 suppliers in this industry and a majority of them are SMEs. A total of 26,800 employees are working in this industry, and 85% of all screw products manufactured are exported worldwide (hence the name of screw Kingdom).

The total exports reached US\$3.86 billion in 2013. The top 5 exporting countries, in terms of exporting weight, are US (39% share), Germany (8.4%), Japan (5.3%), Netherland (5.2%), and UK (3.8%), with 580 thousand tons, 130 thousand tons, 77 thousand tons, 76 thousand tons, and 55 thousand tons respectively. As for the exporting items, “other screws and screw caps” ranked 1st with 810 thousand tons (55.72% share); followed by 260 thousand tons of “screw caps” (18.1%) and 150 thousand tons of “self-tapping screws” (10.54%).

表 4 台灣螺絲產品出口統計

年度	出口重量		出口總值		平均單價	
	總量 (公噸)	成長 (%)	金額 (百萬美元)	成長(%)	美元/公斤	成長 (%)
2010	1,279,455	42.93	3,214.62	55.29	2.51	8.65
2011	1,422,006	11.14	3,973.55	23.61	2.97	11.22
2012	1,379,474	-2.99	3,798.04	-4.42	2.75	-1.47
2013	1,459,394	5.79	3,861.74	1.68	2.64	-3.89

資料來源：台灣區螺絲工業同業公會

V. Foreseeable growth in the metal industry in the post-ECFA era

Including Stainless Steel, aluminum alloy and 57 other metal products have been listed in the early harvest list of ECFA and are eligible for preferential tariff treatments. Thus, the ECFA has an important impact on the metal industry in Taiwan. For the steel industry, the ECFA will bring in competition rather than business complementation and more challenges than opportunities; however, for downstream industries (metal products and non-metal products), product tariffs may increase to an estimated 10.5% at the highest for hand tool products such as pliers, wrenches, hammers and screw drivers as their competitiveness is enhanced. After zero tariff treatments are enforced in the future, hand tool products produced in Taiwan will be much more price-competitive in the Chinese market than their counterparts from Korea and Japan and the export is forecasted to grow. On the contrary, this will also raise the demands for steel products. Thus, the ECFA is very beneficial for the metal product industry in Taiwan to develop the Chinese market.

For the metal industry in Taiwan, after years of development, the complete industrial value chain has been established and the industrial cluster effect is very intense. The complete product lines, flexible production ability as well as excellent customer relationships established with years of export experiences become strengths of the industry that enable Taiwan to become the kingdom of hand tools and kingdom of screws and screw caps. Although the low price strategies adopted by Chinese suppliers have made it difficult for Taiwan suppliers to compete in recent years, the metal industry in Taiwan has instead shifted their emphasis to high value added products. This has developed the abilities of the industry to mass produce products and also to innovate existing products, empowering the metal industry in Taiwan to continue its key role in the global market and qualify as the ideal investment choice.