## EU Construction Products Regulation Comes in Force in July

Starting from July 1st, the newly released Construction Products Regulation (CPR) by European Commission already replaced the old version of Construction Products Directive (CPD) and became mandatory.

CPR is applicable to all construction products circulated in European markets, including hygienic ceramics, roofing materials, glass for mixing with asphalt, structural metal, fasteners, materials to keep warmth, waterproof materials, structural wood, and so on. The new regulation not only sets standards for construction products manufacturers, but also expands to the additional requirements on traders, importers, and distributors. All circulated construction products within the European markets have to be attached with CE marks. For the sustainability of the environment and circulation (among traders, importers, distributors), stricter requirements have also been made.

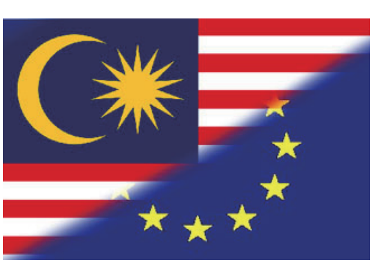
## EC Initiates Partial Interim Review of Antidumping Measures Against Certain SS Fasteners from China and Taiwan

According to the Official Journal of the EU released on June 6, a partial interim review of the antidumping measures against the imports of certain stainless steel fasteners from China and Taiwan (with product CN code falling within 7318 12 10, 7318 14 10, 7318 15 30, 7318 15 51, 7318 15 61, 7318 15 70) will be initiated. The review was currently requested by Sheh Kai Precision Co., Ltd. from Taiwan. As an exporting producer, Sheh Kai thinks that its bi-metal self-tapping and self-drilling screws having shanks and heads made of stainless steel and points of carbon steel (product CN code ex 7318 14 10) should be exempted from the measures due to the different physical, technical, and chemical characteristics. Upon this request, European Commission will send questionnaires to all related producers and organizations which should submit information and supporting evidence within 37 days of the date of the publication of notice in the Official Journal. The investigation will be concluded within 15 months of the date of the publication of this notice in the Official Journal.

## EU Issues Expiry Notification of Anti-Dumping Measures on China-Made Stainless Steel Fasteners

On May 28 of 2013, the EU Commission published an announcement stating that the anti-dumping measures towards China-made stainless steel fasteners will officially expire on February 1 of 2014, and that the domestic member corporations are able to submit an application for sunset review to the Commission within 3 months. Products involved in the case include code 73181290, 73181491, 73181499, 73181559, 73181569, 73181581, 73181589, 73181590, 73182100, and 73182200. In November 2007, the EU embarked on an anti-dumping investigation on China-made stainless steel fasteners. In January 2009, the EU made an affirmative final determination to this case.

## Fastener Circumvention: Partial Interim Review Begins



According to EC's Official Journal released on May 14, the EU thinks launching antidumping duties on certain iron and steel fasteners originating in PRC or consigned from Malaysia (whether declared as originating in Malaysia or not) is necessary. However, one of the exporters from Malaysia recently asked for an exemption, alleging that it has been established as a producer of products under review in Malaysia and has been in relationships with companies in China long before the imposition of ad measures. They said they have never exploited such relationships with China to help Chinese companies circumvent the ad measures. Accordingly, it asked for the exemption. The EC thinks there exists sufficient evidence to justify the initiation of a partial interim review and will send a questionnaire to the applicant as an exporting producer. The applicant has to submit all supporting evidence within 37 days after the publication of the Official Journal and the final result will be concluded no later than 15 months after the publication of the Official Journal.

## U.S. Amends Final AD Review of Chinese Steel Nails

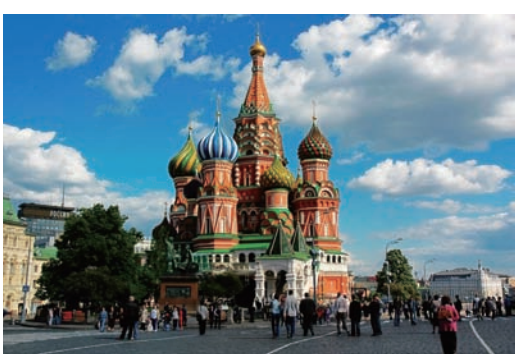
July 10, 2007, U.S. Department of Commerce began the AD investigation on Chinese steel nails and the products involved including HS code 73170055, 73170065, and 73170075. On June 9, 2008, U.S. Department of Commerce announced the final AD decision and decided that the dumping margin of Chinese companies involved was 0.00%-118.04%. On September 22, 2009, the 4th review was initiated again and the result was announced on March 18, 2013. On April 26, 2013, U.S. Department of Commerce decided to amend the final AD review of Chinese steel nails.

| Manufacturers/ Exporters | Dumping Margin (%) | |
|---|---|---|
| | Before review | After review |
| Tianjin Jinghai County Hongli Industry & Business Co.,Ltd. | 33.4 | 33.25 |
| Cana (Tianjin) Hardware Industrial Co., Ltd. | 33.4 | 33.25 |
| Shanghai Curvet Hardware Products Co., Ltd. | 33.4 | 33.25 |
| Huanghua Jinhai Hardware Products Co., Ltd. | 33.4 | 33.25 |
| Shanxi Tianli Industrial Co., Ltd. | 33.4 | 33.25 |
| Shanghai Jade Shuttle Hardware Tools Co., Ltd. | 33.4 | 33.25 |
| Shandong Dinglong Import & Export Co., Ltd. | 33.4 | 33.25 |
| China Staple Enterprise (Tianjin) Co., Ltd. | 33.4 | 33.25 |
| Tianjin Jinchi Metal Products Co., Ltd. | 33.4 | 33.25 |
| Huanghua Xiaoghua Hardware Products Co., Ltd | 33.4 | 33.25 |
| Tainjin Zhonglian Metals Ware Co., Ltd. | 33.4 | 33.25 |
| Shanghai Yueda Nails Industry Co., Ltd | 33.4 | 33.25 |

## EU Imposes AD Duties Against Indian Stainless Steel Wire

With the dumping investigation started from 2012 on Indian stainless steel wire exports, the European Commission has received lots of information from sampling companies showing that during 2007 through 2011 the wire imports from India grew substantially by 50%. Eurofer also points out that the price of imported Indian stainless steel wire is much lower than those imported from other countries, which has resulted in the material injury of many European companies. The measure came into force on May 7 with the anti dumping rate up to 32.1%.

## Protective Fastener Tariffs Become Hot Issue in Russia



"It has been 28 months for Russia to levy protective duties on imported steel fasteners since March 2011, however, the measure does not cause a negative outcome for the fastener industry and a positive influence is just ahead because the protective duties actually stimulated the domestic investment of Russian industries," said Chairman Yarantzev of Prommetiz.

He added, "Unfortunately, the measure will only last for 3 years and will expire in March 2014. If we can prolong the measure with 6 more years, then Russia will have its own modern mechanical fastener industry until 2020."

Prommetiz, representing the largest metal product manufacturer in Russia, is striving for the extension of the measure. Yarantzev believes that the extension will reinforce the productivity of Russian producers and find out its advantage within the competition with imported products. On March 18, 2011, Russia decided to levy protective duties on imported steel fasteners and will last for 3 years until March 17, 2014. Rosmetiz, however, doubts the benefits the measure could bring.

Rosmetiz said that with the increasing production and consumption of fasteners in Russia, the number of imported fasteners did not change a lot during the effective period of the measure. The total export of fasteners made in Russia in 2012 declined 37.1% over the same period. Rosmetiz believes that the competition between Russian and foreign manufacturers will continue. Coordinator Alexander Semenov of Rosmetiz said that the challenges facing the current Russian hardware industry cannot be solved only through equipment upgrade, but also through technological development. Thus, the cost can be reduced and the competition with imported products can be won with competitive prices. In addition, the technological development can force manufacturers to produce high quality fasteners. Semenov concluded, it is very obvious that Russian fastener industry cannot go toward a better development with only the extension of protective duties or buying fasteners only in Russia. The current condition has proved this.

## Carlson Systems Acquires Western Tool Supply

Industrial Opportunity Partners, Evanston, IL, has acquired Western Tool Supply in Salem, OR, via its platform company Carlson Systems. Carlson, Omaha, NE, is a multi-regional distributor of product assembly systems. Terms were not disclosed.

Western Tool is a distributor of tools and supplies serving the fastening needs of construction, industrial, and woodworking customers, with products such as hand-held nailers, staplers and related fasteners. Western Tool operates 14 sales sites in Oregon, Washington, Idaho, Utah and Montana.

Jim Todd, chairman of Carlson , said the acquisition expands Carlson's geographical coverage to the Pacific Northwest.

## Japan Yahata Merges with Moritex Precision

Japan Yahata specializes in the production of agricultural/building mechanical components, while Moritex specializes in the process of precision parts for intelligence and image machines. Both companies have been doing business with each other. The merger this time was dominated by Yahata. The multiple effects created from the merger can help the business running of these two companies.

## GM Recalls 27 Thousand Units of Cadillac

According to Reuters, GM recalled the 10-inch wheel hub Cadillac released in 2013. GM spokesman said they recalled 18,871 units from the US, 913 units from Canada, and 7,397 units from other markets. Those are a total of 27,181 units. GM explains that the recall was due to the malfunction of wheel nut torque control that results in loosening, noise during driving, or shaking steer wheel. In long-term usage there might occur wheel bolt fracture or even traffic accident. GM claims that currently there is no report stating that the malfunction has caused any loosening tires or casualties. GM has sent out notifications to remind car owners of the recall. Distributors will provide free vehicle inspection as well as fastening and fixing service.

## NISSAN Recalls 840 Thousand Units Globally Due to Potential Problems in Steering Wheels

The recall includes Micra and Cube, and it is due to possible malfunction of steering wheels. Cars recalled are all produced during 2002 and 2006, encompassing those in Japan, Europe, Asia, Australasia, Latin America, and the Middle East. NISSAN stated that bolts of recalled cars were probably not correctly fastened, and this might lead to malfunction of steering wheels in the worst case. Spokesman Noriko Yoneyama claimed that so far there is no casualty report due to the potential problem. NISSA will fasten the bolts for car owners, or replace with new tires if necessary. The repair will take around 40 minutes.

## FAA Requests Boeing 737 Be Examined If Bolts At the Rear Wing Are Not Properly Installed


U.S. Federal Aviation Administration has ordered all Boeing 737 series of aircrafts be immediately examined as the inappropriate installation of bolts at the rear wing may result in the aircrafts losing control. It is reported that the order in force from May 20 is able to involve 6 types 600, 700, 700C, 800, 900, 900ER of Boeing 737. However, only 1,050 Boeing 737 registered in the U.S. are subject to the examination. According to the estimate of FAA, the inspection and maintenance fee per aircraft is close to USD 1,000. It is reported that why FAA made this order was due to a report showing that if the bolts installed on the horizontal stabilizer of the rear wing do not have complete anti-corrosion coating correctly, it may lead to the incomplete structure of the stabilizer, making the aircraft lose control. Boeing declared that it had been a long period before the order was given and was not placed only by the recent case. This will not influence the scheduled timetables for all U.S. airlines.

## ▼ NORMA Group Awarded for Quality and Reliability of Supply


NORMA Group, a global market and technology leader for engineered joining technology, has received the prize for quality and reliability of supply in 2012 by Adolf Würth GmbH & Co. KG and Würth Industrie Service GmbH & Co. KG ("Würth"). With this award, the globally leading wholesaler of assembly and fastening material recognizes NORMA Group as an A-category supplier.

## ▼ Fastenal Sales up 5.3% in May


According to statistics released by Fastenal, net sale in May was USD 289.4 million, up 5.3% from USD 274.8 million of the previous period. In terms of daily sales change, clients of the manufacturing sector increased 5.3%, and clients of non-construction industry increased 0.2%.

## ▼ U.S. Anixter New Corporate Headquarters Annex

U.S. professional technology & infrastructure solution provider adds its new corporate headquarters annex in Glenview, Illinois in May. With over 62,000 sq. ft. of floor, it can accommodate 200 employees at one centralized place. The global operation teams will also be here to provide services. "Our new facility will support our continued growth plans while offering more convenience for our employees, partners and customers," said Executive Vice President Bill Standish of Anixter.

## ▼ Atlas Copco Tensor ETT-STR Electric Nutrunner Receives Reddot Award 2013

Atlas Copco Industrial Technique has received its fourth design award in three years, most recently a Reddot product design award for the two-trigger electric nutrunner Tensor ETT-STR. This all-new fastening solution from Atlas Copco takes productivity, ergonomics and quality to an entirely new level.

### Two tools in one

The Tensor ETT-STR tool combines a pistol grip and an angle tool into one unit with two triggers offering shorter operating times and maximum flexibility. The pistol grip upper part of the tool has been designed for one-handed operation. After a component has been assembled with this part of the tool, the operator can then re-grip the tool and use it as an angle tool to complete the tightening process. Users can first pre-assemble components with the upper pistol grip and then fully mount them with the lower handle. Both handles are ergonomically designed to support different hand positions.

### High accuracy

The Tensor ETT-STR offers high tightening accuracy. Gyro sensors compensate for operator influence and the torque transducer is located after the angle gear, close to the socket, resulting in an accuracy of about ± 3.5% of 6 sigma. This tool will significantly increase productivity, in some applications by 50% or more!

## ▼ Fastenright - A Growing Company


It hasn't even been 3 years since Fastenright, the 'Stainless Steel Bolt and Nut Experts' opened its doors to the public, and already it's stock holding has tripled in size. A steady increase of customers and their growing demand of high quality stainless steel fasteners have prompted the company to invest much more into their stock holding than it was originally planned.

But not only larger quantities of fast moving items are being kept in stock, also the range of products has expanded drastically. Due to the fact that Fastenright services so many different industries, e.g. Boatbuilding, Engineering,(Wood-) Construction, Food processing and the security industry to name a few, it has become necessary to add more and more new products to meet the customers' demands and to be able to supply ex stock without lengthy waiting periods. Because all stainless steel products are imported, it is imperative to constantly monitor the stock levels. Lead-times are from 6 weeks up to 4 months.

Due to increasing demand, Fastenright is pleased to announce that they now also stock mild steel and high tensile products in zinc-plated and hot-dip galvanized. Fastenright's focus is on giving superior service at competitive prices to all their customers. This is the recipe to their success and has won them the 'Supplier of the Year Award' from a huge manufacturing company just recently.

## NFDA May 2013 Economic Report Now Available

The latest quarterly Economic Outlook Report, prepared for NFDA by the Institute for Trend Research (ITR), now is posted in the NFDA online library. The ITR Leading Indicator ™ slipped for the second consecutive month in March but remains in positive territory. With a 9 to 11-month lead time, ITR expects the overall economy to remain positive through late 2013. The industry experienced a slight slowdown of the latest fastener distribution index last month, 51.6 in April vs. 52.8 in March.

## US-based Auto Parts Suppliers Revenue & Profit Dropped in 2013 Q1


In 2013 Q1, most US-based auto parts suppliers demonstrated bad performance in financial results, where 16 suppliers showed drop in both revenue and profit. In terms of revenue, apart from EATON (stark growth of 34.1%), LEAR and Visteon (both with stable revenue growth), most of other corporations exhibit drop compared to last year.

In terms of net profit, Cooper and Tenneco showed high rise of 160% and 80% respectively, while Honeywell and Eaton rose 17.5% and 21.5% respectively; GoodYear came with minor rise, and Visteon turned deficit into profit. However, other corporations showed substantial drop of over 10%, among which Federal-Mogul suffered from deficit and Arvin Meritor dropped by 70%. In addition, Komis, Dana, and AAM suffered from around 40% drop, and TRW, DELPHI, and LEAR dropped by nearly 20%. Borg Warner and Cooper Standard dropped by around 13%.

## US Fastener Import & Export Average Increased in April

Compared to March, import in April up 10% to USD 380.5 million, and export up 2% to USD 309.1 million. The top 5 import sources are Taiwan (up19.37%), China (up 28.94%), Japan (down 2.18%), Germany (up 2.31%), and Canada (up 3.91%). The top 5 export destinations are Mexico (up 18.61%), Canada (up 2.43%), UK (down 4.16%), China (up 2.71%), and Brazil (down 20.07%).

## German Manufacturing PMI Rises to 49.0 in May

The current data show that the Purchasing Manager Index (PMI) for the manufacturing industry in euro zone has increased from 46.7 in April to 47.8 in May, better than the expected 47.0 before. The general PMI increased from 46.9 in April to 47.7 in May, also better than the expected 47.2. However, all the points are still under 50, which is considered the division of growth and recession. This means the euro zone is still facing the economic downturn.

Among the member countries, German PMI increased from 48.4 in April to 49.0 in May, better than the expected 48.5; one economist said that due to the lack of new orders and layoff within the industry, the economic activities of German privately owned companies showed decline in May, which foresees the economic growth of Germany in Q2 will be in stagnancy. On the other hand, French PMI also increased from 44.4 in April to 45.5 in May, the highest record of the last 9 months, better than the expected 44.8.

## EU Economy Forecast to Gradually Recover to A More Stabilized Condition

The economy is projected to return to growth in the second half of 2013. However, annual GDP is forecast to contract by 0.1% in the EU and 0.4% in the euro zone.

Following the recession that marked 2012, the EU economy is forecast to stabilize in the first half of 2013. GDP is expected to start growing again in the second half of the year, slowly at first, but picking up speed in 2014.

In the aftermath of the financial crisis, demand within the EU is still held back by several factors including the reduction of the debt overhang and a shortage of credit. The main driver of growth this year is therefore likely to be net exports. Private consumption and investment in the EU are set to pick up modestly next year. This forecast is based on the assumption that continued policy efforts will prevent the sovereign-debt crisis from worsening.

## Europe Steel Industry Declines Due to Asian Markets Rise

The European Steel Association (Eurofer) indicates from an annual report that the 2012 capacity of European steel industry continues to decline (by 3.5%) due to the reduction of purchase orders.

Steel capacity once rebounded in 2010 and 2011; however, in 2012 it dropped again to below 170 million tons, a 7.5 million ton drop from the previous year. The worst scenario was in 2009 when the capacity was less than 140 million tons. However, Eurofer thinks the European steel industry is unlikely to reach the capacity level (200 million tons) prior to the financial crisis. The largest steel manufacturing country in Europe is Germany (42 million tons annually), followed by Italy, France, Spain, and UK; Belgian ranks 7th.

In fact, the reduction in steel capacity is a result of the decreasing demand in the European market, which dropped substantially especially in 2009 and slightly rebounded in 2010 and 2011, and dropped once again in 2012. On the other side, unfavorable balance of trade showed up in 2008, and turned into trade surplus as a consequence of export increase outside of Europe. Steel export reached 27 million tons and import reached 13 million tons.

Eurofer also indicates that the steel industry employment decreased gradually. In 2008 the employment was 416,198 people, and it dropped to 350,656 people in 2012. German steel industry had the most employment of 88,000 people, and Belgian ranked 7th by 13,319 people.

According to World Steel Association, the global steel capacity once decreased in 2009 but it quickly bounced back with substantial growth and increased to 1,547 million tons in 2012. China is the largest steel manufacturing country on the globe, followed by Japan, US, India, and Russia. Capacity in Asia takes 60% of global production, over-running Europe that takes 11%. China is the largest steel exporting country, while the US is the largest importing nation. ArcelorMittal is the world's largest steel manufacturer, followed by Nippon Steel, Sumitomo Metal Corporation, and Hebei Group.

Eurofer holds a pessimistic view that the industry is less likely to turn good in 2013.

## Over 600 Million Population in ASEAN Boosts Enormous Steel Market

Bureau of Foreign Trade Kaohsiung Office of Taiwan pointed out that the total ASEAN GDP has outrun India and is currently replacing China with ASEAN's more than 600 million population, abundant natural resources, and young labor force. ASEAN is to become the best production base and market for domestic demand. Take the steel market for instance, Southeast Asia has already become the fastest growing region of steel consumption in the world. Due to the region's huge demand for import and lack of domestic steel refinery plants, steel plants of Taiwan, Japan, and Korea rush in to invest and keep track on the huge market opportunities of the region in the shortest distance possible.

## Indian Fastener Industry Update- Largest Demand in Industrial Use, Followed by the Automotive Industry

Chairman Surinder of Fastener Manufacturers Association of India said there are over 360 association members. However, there are over 10 thousand fastener manufacturers in India. Industries in India have huge demand for fasteners. In a report "Global Economies and Prospect of 2013" released by the UN, the exports and capital investment showed an uplifting trend over 2012 and the growth rate gradually bounced back to the level of 6.1% and will go further to 6.5% in 2014. Exports and investment will go up.

## Indian Automotive Engineering Service Market to Reach CAGR of 18.22% in 2016

The Automotive engineering service market in India would clock a compounded annual growth rate (CAGR) of 18.22% in 2016. One of the key factors contributing to this market growth is the cost effectiveness of the Indian Automotive Engineering Service industry. The Automotive Engineering Service market in India has been also witnessing a rise in demand for green engineering.

## ▼ 2012 Japan Automobile Capacity & Export Performance. Domestic Capacity Up 3.1%.

According to car production and sales result announced by JAMA (Japan Automobile Manufacturers Association) on April 30th, the domestic car capacity reached 9,554,400 vehicles, up 3.1% compared to 2011. This is the third consecutive increase in production volume. Capacity of light passenger cars set the highest record with the export volume up 0.8% to 4,660,571 vehicles. Light passenger cars are widely accepted by customers for their energy-saving feature. Moreover, Tax cut and subsidy on eco-friendly cars provided by the government also stimulated the production volume to increase 25.5% to 1,611,898 vehicles, which can serve as a substitute for the decreasing production of trucks and other types of cars. Export to the Middle East and Near East also grew by 24%, resulting in increasing export to Africa and North America. On the other hand, however, export to Asia showed decrease after the past 4 years.

## ▼ Thai Car Export Value Target for 2013

Thai automotive industry enjoyed a bumper year in 2012, with 2.45 million vehicles made, up by 68.3% from 2011 and lifting Thailand to the 10th place among car manufacturing countries. Domestic car sales totaled 1.43 million vehicles last year, up by 80.9%. Car exports increased by 39.6% to 1,026,671 units, a record high since Thailand began exporting cars in 1988, making the country the world's 7th largest car exporter. Export value totaled 490 billion bahts, up 42.7%. The FTI forecasts 2.5 million vehicles will be produced this year, up by 2% from last year, with 1.4 million slated for domestic sales.

## ▼ Japan Toyota Forecasts Sales for 2013 Q2 to 2014 Q1 to Reach 1.8 Trillion Yens with Good Sale Performance in North America and Southeast Asia

Revenue will rise 36.3% to 1.8 trillion yens, and sales will increase 2.6% to 9.1 million vehicles, breaking the highest record of 8.91 million vehicles in 2007. Sales Value will reach 23.5 trillion yens, up 6.5%. Toyota plans to increase its investment to 910 million yens (up 6.7%). Sales value for 2012 Q2 to 2012 Q1 is 22.641 trillion yens (up 18.7% compared to 2011), and revenue is 1.32 trillion yens (up 3.7 folds compared to 2011).

## ▼ Russian 2nd Largest Steel Plant Severstal Drops 90% in Q1 Profit

Due to global economic recession, Severstal earned only USD 44 million profit in Q1 of 2013, a 90% drop compared to 2012. The company's pre-tax earning in Q1 was USD 425 million, a drop of 25% compared to 2012. Revenue was USD 3320 million, dropping 10%.

## ▼ Pohang Steelworks Wire Rod Mill #4 Completed


Annual production scale of 700,000 tons replaces imports of high quality wire rods.

With the completion of Pohang Steelworks Wire Rod Mill #4 and commencement of production of high quality wire rods, POSCO has gone a step further as a “high quality automobile part specialized steelworks.” On May 28th, at Pohang Steelworks held the completion ceremony of the 700,000 tons of annual production scale Wire Rod Mill #4. By expanding with this wire rod mill, POSCO is now equipped with an 2.8 million tons of annual production scale wire rod production system, securing the world`s best quality, and is ranked among the top 3 in scale, and is expecting to contribute to strengthening the competitiveness of automobile parts companies. Wire rods are used as a material for nails, wires, screws, bolts, nuts, bearings, springs, and wire ropes, and are sold mainly to automobile parts companies. More than 1 million tons of the 3.2 million ton demand currently need to be imported.

POSCO`s Wire Rod Mill #4 will produce high quality products that are differentiated from imported materials including extremely high strength spring steel, and high strength wires for deep sea development which steel companies of China find difficult to produce, and expects 27 billion KRW in annual import replacements by expanding supply amounts of automobile lightweight parts and high-functional parts which are rapidly increasing in demand. POSCO will particularly produce hot processing omission steel which doesn`t require hot processing, contributing to cost reduction of major client companies such as KISWIRE.

In his speech, CEO Chung Joonyang who attended the completion ceremony remarked, "I hope this mill will become specialized as a high quality wire rod factory that can produce products meeting the demand of clients and become the world`s best wire rod production base."

## ▼ Material Costs Downdrop Brings Taiwan More Oders

Taiwan CSC has recently announced the wire price for July and August declined to NTD1,363 per ton (about USD 45), which may help Taiwanese fastener manufacturers reduce costs and earn more orders in Q3.

Chun Yu Works & Co., Ltd. from Taiwan says that although overseas buyers are likely to request cheaper prices of fasteners, the downfall of material costs can still help them gain more orders from foreign markets.

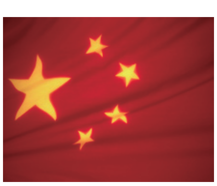
Tycoons Group Enterprise Co., Ltd. says that the price reduction of Taiwan CSC will force them to adjust the wire price downward, but it will still result in material benefits to Tycoons' fasteners.

## ▼ Lin Whei-Cheng to be the Chief Director of Chun Yu

Chun Yu Group will go into directors re-election. As far as we know, Mr. Lin Whei-Cheng will be the chief director. The pro-market faction will possess two directors and two supervisors, and the pro-company faction will take a step back and possess 3 directors and one supervisor. Mr. Li Ming-Huang of Kin Chih Fu Co. (shareholder of Ofco Industrial Corp.) will still be the general manager. Chun Yu states that Ofco Industrial Corp. and Chun Yu are both screw companies with separate product ranges, and if both companies can cooperate, there will be mutual benefits in the long term. The company has adopted a professional manager system; therefore, the re-election is less likely to cast an effect on the business operation.

It is believed that Kin Chih Fu Company's reinvestment in Chun Yu was due to its successful investment in Ofco as well as the stable and mature Taiwan fastener industry. It is interested in further cultivating the fastener industry and expanding the business territory. It currently holds 20% of Chun Yu stocks, and coupled with the 10% held by the Gang's family, the pro-market faction amounts to 30%. The Li's family, founder of Chun Yu, has over 40% of Chu Yu's stocks. Chun Yu states that it will strive for peace and let the pro-market faction to undertake the position of chief director.

## ▼ Dropping China Demand Shakes Global Steel Price



The contract prices (in US dollars) of iron ore procured by leading Japanese corporations (such as NIPPON STEEL & SUMITOMO METAL and JFE HOLDINGS, INC.) have dropped again. Compared with the price in Q2 this year, it dropped by 8% in Q3. This is because China, whose raw steel material production ranks the top in the world, is under slower economic recovery, and its excessive capacity is leading to increasing inventory. Due to the decreasing demand of China, the future of international material price is turning dim.

The contract price of iron ore in Q3 2013 will be USD 126 per ton, and comparatively the Q2 price descends by around USD 11 per ton. This is another drop since two quarters ago. Furthermore, the depreciating JP yen will bring about substantial cost surge to Japanese steel companies; however, the impact will be somewhat relieved due to the internationally decreasing price.

## ▼ Taiwan CSC. Nominal Price for Jul.-Aug. 2013

The pace of the global economic recovery is still slow. In May, a forecast institute predicted that 2013 global economic growth would slip to 2.5%. In Europe, the unemployment rate continues to rise, and investment as well as consumer confidence sees no sign of recovery. In the US, the manufacturing sector expansion turns slow, and the government's deficit cut and tax hike measures, as well as the possible withdrawal of monetary easing policy, have become a public concern about economic growth. In China, the economic performance in Q1 was away from expectation, facing the double pressure from over capacity and housing market regulation. In Taiwan, foreign PO and domestic demand see decline due to global recession, and Directorate General of Budget, Accounting and Statistics has revised the 2013 GDP growth rate to 2.4%. Steel demand in Q2 (peak season) is not as expected due to a slow global economic growth, which further causes deteriorating unbalance of steel supply and demand, weak market confidence, capacity reduction in factories, "wait-and -see" steel users in the aftermarket, storage reduction, and continuous drop of European and American steel price deriving from lack of demand. Stricken by excessive supply and substantial low-price export from China, steel price in Asia drops significantly. It will be difficult to stimulate Q3 global demand for steel because of several factors such as summer vacations in Europe and the US, rain season in Southeast Asia, and Ramadan in the Middle East. However, international steel price drop is already close to production cost, and steel plants will reduce more on production, so expectedly there is little room for further price drop. Due to the unrest of the international political and economic condition, and low-price competitors from China, domestic downstream steel companies' PO number is not as expected and material purchase turns conservative. To correspond to the market status and elevate global competitiveness of downstream companies, Taiwan CSC decides to lower domestic sales price of various steel products for July and August by 4.66%, which is an average of NTD 1,008 per ton. ■