



sheh fung  
screws company

# Sheh Fung Screws Now in Vietnam

## “5 Arrows” Targeting New Heights Via High Value-adds

The new year kicks off with Sheh Fung announcing anticipated news to global buyers! The company, topping the industry as a major fastener player with exclusive painting craftsmanship, spent NTD 1.2 billion on a new plant in Vietnam which broke ground at the beginning of Dec., 2022 and was founded at the end of 2023. The plant spans 200,000m<sup>2</sup> and 25% of the area is in use in phase 1. It will start production officially from Jan., 2024, and is expected to utilize the area in full in 5 years. Fastener World brings you the latest development with our interview with General Manager Kent Chen from the headquarters and Manager Mr. Sosa Yang from the Vietnam plant.



So why in Vietnam? Kent laid out 4 reasons. First, he sees the value that Formosa Ha Tinh Steel Corporation, now mass-producing steadily in Vietnam, sources steel and technology from Taiwan CSC. “Prosperous local proliferation of industrial products will not do without a premium steel plant. Wherever a good steel plant is at, fasteners follow—that will be the future for Southeast Asia,” said Kent. Second, Vietnam can provide a larger manufacturing area, enabling higher flexibility for future business deployment. Third, Vietnam has a young and active population. Fourth, the EU-Vietnam Free Trade Agreement (EVFTA) allows products going from Vietnam to EU at zero tariff and will be a niche for Sheh Fung.

200,000 m<sup>2</sup>



Initially, the new plant will reach 600 to 800 tons in monthly capacity and have 150 employees, equipped with 80 pieces of equipment handling heat treatment, electroplating, painting and more. Additionally, it is located in Phan Thiết City of Binh Thuân Province, 180 kilometers from Ho Chi Minh City, a 2-hour drive via highway, providing convenient access to traffic.

Sosa pointed out that the Vietnam plant and Taiwan headquarters have different market positioning. Broadly speaking, the Vietnam plant extends from Taiwan headquarters to be a production base; the headquarters will essentially take orders. In detail, the Vietnam plant will specifically manufacture wood screws and self-drilling screws in phase 1, then introduce wire drawing lines in phase 2, manufacture automotive fasteners in phase 3, with other fastener types to be planned onwards. Further, the target clients are different. The Vietnam plant by design provides price-competitive as well as high quality products. Sheh Fung sketched out “5 Arrows” to launch business growth for the Vietnam plant.

### “5 Arrows” for Vietnam Plant’s Business Growth

//// Vietnam plant spreads out geopolitical risks and a full-fledged Vietnam regional economic and trade agreement helps attract orders and deploy in markets



The Vietnam plant was planned 3 years before COVID outbreak and geopolitics wasn't much of a sensitive issue back then. Then, its founding at the end of 2022 coincided with heightened tension in Asia. Kent thinks it will bring critical growth momentum and advantages for the Vietnam plant. "The plant appears when clients long for Taiwanese suppliers to add overseas plants," said Kent, "If there's an overseas production base outside of the supply chain in Taiwan, it will boost confidence in placing orders to us and clients will be more willing to include us as part of their strategy planning." Besides, thanks to EVFTA, the Vietnam plant can export to Europe at zero tariff. Additionally, in contrast to the fact that Canada currently imposes anti-dumping tariff on Taiwan, the fastener trade between Vietnam and Canada is subject to no tariff, thereby providing advantages for the Vietnam plant.

### //// Increase expenditure and capacity to strengthen economies of scale

Opposite to the headquarters providing low-volume and diverse products, the Vietnam plant's production line is designed to mass-produce in low diversity. Utilizing mass-production in the initial phase in a new market like Vietnam can boost the plant's momentum, Kent explained. Therefore, Sheh Fung introduces a lot of equipment and local talents to the plant to expand capacity and strengthen economies of scale. The plant will rise into one of the key fastener manufacturing hubs in Southeast Asia.

### //// One-stop Production and High Value-add Coated Screws

The Vietnam plant combines production, post-processing, quality check, packaging and provides global buyers with one-stop manufacturing process and world-class service. On another note, Kent observed the fact that Vietnam is mostly constrained to producing low-end products, but he wants to provide high value-add coated products. To that, the plant is added with coating equipment. "We don't want clients to have the impression that the Vietnam plant only produces low-end products. Our message to global buyers is that this plant will be able to produce the same level of products as with our headquarters. By the way, for anyone demanding a specific size at large volume, this plant can handle your needs," said Kent.

### //// Industry 4.0, unmanned factory and AVG

Kent is planning to make this plant unmanned and introduce automated guided vehicles (AVG), which is on trial test. "I'm going for IoT which I have introduced in some parts of the headquarters. I'm also using IoT to make the Vietnam plant efficiency-optimized and use automation to optimize manpower deployment. Now China pays employees higher than Taiwan does. If we don't upgrade and transform and deploy for our plants, at the end of the day we'd still have to put a plant in another country and face the same problems. We can't base production strengths solely on cheap



labor," said Kent. He figures labor costs in Vietnam will rise in the future, so he thinks all Vietnamese factories will have to integrate IoT to optimize production lines and manpower, and improve laborers' technical skills to cope with cost uptrends.

### //// Pioneer Strategy— Creating Sheh Fung's "Satellite Plants"

The Vietnam plant will replicate Taiwan fastener supply chain. Kent is inviting collaborators interested in tapping into Vietnam to form satellite plants within the Vietnam plant. Sheh Fung will offer collaborators the land, information, fund arrangements, and factory construction permit handling, to switch from outsourcing to in-plant production and help collaborators connect with the world. "We have many partners in Taiwan who may want to go in Vietnam. I want to give them a platform to build their own plants within our Vietnam plant area. I hope I will be able to help them and in turn help ourselves. Like Taiwan with the world's most complete fastener supply chain, Sheh Fung will build its own value-added supply chain. If this replication is successful, I'm looking forward to seeing Taiwan fastener industry bloom and shine in Vietnam!"

### CBAM in Pilot Phase and Sheh Fung is Ready now!

Sheh Fung launched carbon inventory 2 years ago and set up a CBAM workforce to track information from EU and provide required data. Kent said: "The SAP system we use helps a lot in this field. We can quickly export carbon emission data and table templates from the system to EU CBAM declarants. It lightens our burden and we can effectively offer overseas buyers real-time and accurate information. CBAM comes on short notice but we have acted early and have no problem with it."

Moreover, Sheh Fung has been verified by a 3rd-party and will work with EU-designated verification bodies in the future. It will also apply for becoming a "voluntary declarant" under EU regulation compliance to provide EU with related information. It is 100% ready for the future global carbon reduction economy and will become the top partner for global buyers! ■



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