



# SHANGHAI

INDUSTRY STUDY MISSION 2017



# FOREWORD

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China is arguably at the epicentre of the Asian growth story that has led to the tectonic shifts we have seen in the global balance of economic power. The rapid developments taking place in the country have enabled it to firmly establish itself as the world's second largest economy, taking a leadership position in the areas of manufacturing and industrial development. Any visitor to China today will find a society where deep historical traditions are juxtaposed with the latest and finest advanced manufacturing technics, technology and modern skyscrapers that the world has on offer.

And these changes are not restricted to within its shores.

In the area of international trade, the One Belt and Road initiative which underlines China's efforts to undertake an even more significant role in global affairs with a China-centric trading network is making international headways. Significant investments in infrastructure projects have also been made around the world, ranging from railway connections in Thailand to highways in Pakistan.

As it is essential for our students to better understand the significance of all these developments, it was determined that China would be the destination of choice for this year's Industry Study Mission. The visit would provide an excellent platform where they could experience first-hand the opportunities and challenges taking place on the ground. Through the visit the students interacted with industry experts and visited key installations where they acquired in-depth knowledge about various aspects of China's trading value chain.

I would like to acknowledge the strong support of all our industry partners which was paramount in making this learning journey a success. In particular, I would like to extend my heartfelt thanks to Pacific International Lines, Shanghai Futures Exchange, Trafigura, Jin Mai Resources, Engelhart Commodities Trading Partners, Intertek, ICBC, Singamas and Norden Shipping for their kind hospitality in hosting our students when they visited your offices and facilities.

Your confidence and commitment in us has made the difference in making our mission to develop and equip the new generation of trading talent a success.

# LOCAL TALENT, GLOBAL IMPACT

## INTRODUCTION

The International Trading Institute (ITI@SMU) was set up as part of a joint initiative by the Singapore government, Singapore Management University (SMU) and Industry Partners. One of the key aims of ITI@SMU is the development of talent at the undergraduate and graduate levels.

Both the International Trading Track (ITT) and Maritime Economics Track (MET) are managed by ITI@SMU, an undergraduate programme that was specially set up with the primary aim of developing talent for the trading and maritime sector. The ITT and MET are designed to ensure that students establish a firm foundation develop essential knowledge and contextualized skills relevant for trading and maritime related roles.

Experiential learning opportunities also play a key role in the development of student talent on both Tracks. These include internships, overseas Industry Study Missions and site visits to companies. Site visits are an essential element in the students' learning journey, providing an opportunity to observe and learn about operational nuances in various locations. Internships are also an important constituent of the programme as they provide students with a first-hand opportunity to acquire the practical knowledge and skills required by the various jobs in the trading and maritime sector.





TO FIND OUT MORE, VISIT  
[WWW.ITI.EDU.SG](http://WWW.ITI.EDU.SG)



# SINGAPORE MANAGEMENT UNIVERSITY

## INTRODUCTION

A premier university in Asia, the Singapore Management University (SMU) is internationally recognised for its world class research and distinguished teaching. Established in 2000, SMU's mission is to generate leading edge research with global impact and produce broad-based, creative and entrepreneurial leaders for the knowledge-based economy. It is known as a pioneer for its interactive and technologically-enabled pedagogy of seminar-style teaching in small class sizes which remains its unique hallmark. Home to 10,000 students, SMU comprises six schools: the School of Accountancy, the Lee Kong Chian School of Business, the School of Economics, the School of Information Systems, the School of Law and the School of Social Sciences, offering a wide range of bachelor's, master's and PhD degree programmes in business and other disciplines. With an emphasis on generating rigorous, high impact cross-disciplinary research that addresses Asian issues of global relevance, SMU faculty collaborates with leading foreign researchers as well as partners in the business community and public sector through its research institutes and centres. Through executive education, the university provides public and customized training for working professionals in meeting the needs of the economy. Close relationships with leading universities, including The Wharton School, Carnegie Mellon, the University of Pennsylvania and the University of Chicago's Booth School of Business, allow SMU to draw on their academic and research strengths in various collaborations. The SMU city campus is a state-of-the-art facility located in the heart of downtown Singapore, fostering strategic linkages with the business and wider community.

TO FIND OUT MORE, VISIT  
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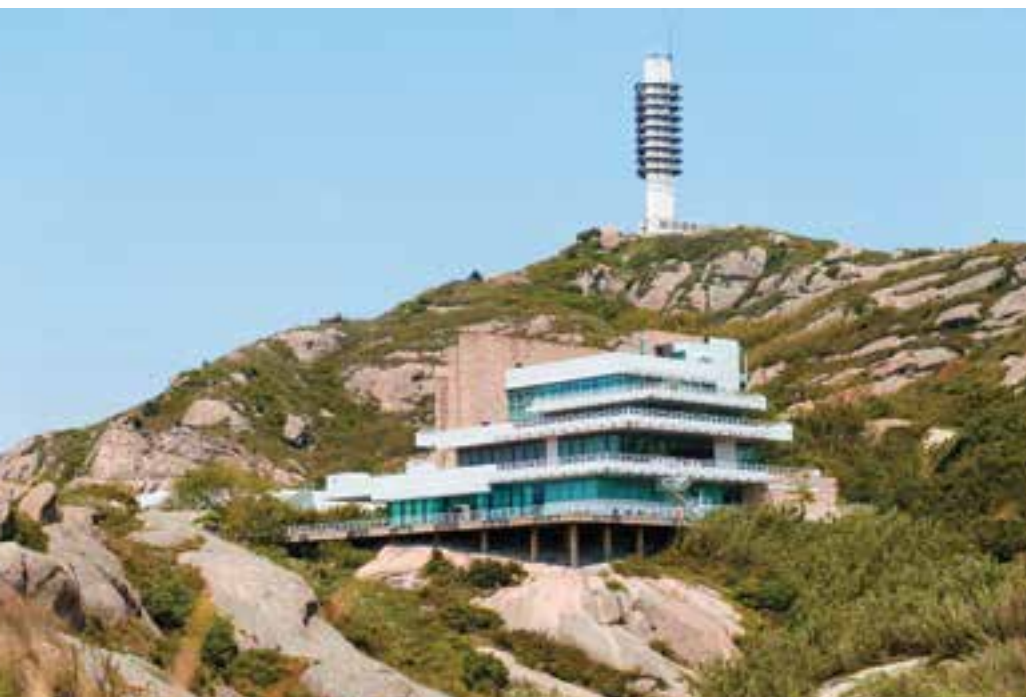


# YANGSHAN PORT

WRITTEN BY: BENJAMIN WONG & LIM ZIYI

**U**pon reaching Yangshan Port, we were astounded by the sheer size of it. Furthermore, it is noteworthy to understand that the port is only in its Phase 3. We were then brought on a short tour about the growth of the Yangshan Port over the years to what it is today.

It was very fascinating to visit Yangshan Deepwater Port as several of us have researched about it before for school assignments. As the world's leading port, Yangshan deepwater port mainly serves China and neighbouring countries whilst competing with Korean and Japanese ports. Strategically located further out off the coast, the gateway port has depths deeper than 15m, allowing the biggest vessels to call safely. Over 90% of throughputs to hinterland are China's import and export.





## DONGHAI BRIDGE

The journey to Yangshan Port is a rather long one. The colossal port was borne off the coast of Shanghai, connected by the 32.5km long Donghai Bridge that was architecturally designed to curb the choppy currents of the waters. Currently, the bridge allows truck traffic into its hinterlands. However, with the upcoming expansions of Yangshan port, further construction may be required to include railways along the Donghai Bridge.

## STRATEGIC FOCUS

Yangshan port is to serve as a hub to spoke ports along the Yangtze River Delta, which give access to the fastest-growing areas along the Yangtze River. Additionally, Phase 4 is expected to be completed this year to be the biggest automated terminal with an estimated throughput of 6.3 million TEUs. It also complements the Shanghai Free Trade Zone programme.



# SHANGHAI INTERNATIONAL PORT (GROUP)

WRITTEN BY: QING CHEN & THONG WEIQUAN

**S**hanghai International Port (Group) Co., Ltd. is the exclusive operator of all the public terminals in the Port of Shanghai. SIPG was incorporated in 2003 when the former Shanghai Port Authority was reorganized. SIPG is the largest port company in China its core project is to develop the market in Yangtze River Area. SIPG has the annual cargo capacity of 136.6 million tons, container capacity of 8.5 million TEUs.



**W**e visited the company building of SIPG and learnt about their businesses. We were introduced to their port services, port commerce and their cargo. During the meeting and discussion with SIPG, we found out that the comprehensive strength and quality of their services enabled SIPG to stand out in the China market and gain the government's trust. Their strong connection with the government also aided them greatly as well, a key factor of success for any company in China. SIPG makes full use of their resources; they opened an international supermarket in the Bund area. We can see that SIPG accurately sensed the potential opportunities in the industry, and was able to further explore the opportunity and develop the business, with the support of its established supply chains. Their depth of market exploration shows us that the position of SIPG at the forefront of the port and shipping industry is well deserved.

Visiting SIPG to learn more about the company and its operations was truly an eye-opener. It gave us a first-hand experience of how a world-class port operates and stay competitive. We saw how SIPG makes full use of the current policy and market to reinforce its leading position in the China port industry.





# SHANGHAI FUTURES EXCHANGE

WRITTEN BY: SRIJAN KANOI, CHENG WENG

**T**he visit to the Shanghai Futures Exchange (SHFE) was an enriching and rewarding experience. We got a glimpse of the SHFE trading pits where traders were eagerly awaiting the morning bell. Then we saw different artefacts and learnt about the history, recent developments and future projects of the exchange. The development of the exchanges has played a crucial part in China's emergence as a commodity superpower.

Riding the tide of China's opening up policy and socialist market economic reform in the 1980s, market-based mechanisms started to take shape in a wide range of economic sectors, triggering new-found enthusiasm in exploration and research on both theories and practises related to the futures market. With full governmental support, a whole new era of China's futures market was dawning. At present, there are 4 futures exchanges in China's mainland: the Shanghai Future Exchange, the Dalian Commodities Exchange, the Zhengzhou Commodities Exchange and the China Financial Futures Exchange. Under the centralized regulation of the CSRC, the 4 exchanges complement each other and work together with the appropriate regional offices.





**S**HFE has been one of the forerunners in China's futures market, it launched its research and pilot programs in the early 1990s and worked jointly with the State Council in the preparation for Shanghai-based exchanges. By the end of 1993, 6 exchanges opened in Shanghai, putting futures trading back in the picture. The exchanges merged into 3 exchanges in the rectification campaign between 1994 and 1995, before finally becoming the Shanghai Futures Exchange in another rectification program in 1998. It has come a long way since then by signing MOUs with CME, LME, NYMEX and Multi Commodity Exchange of India. In addition to reinforcing the prompt linkage between domestic and international prices of the underlying commodities, the listing of gold, silver and other non-ferrous metal futures fostered the price influence of China's futures market and made it easier for investors to conduct real time risk management.

In its quest to become a leading Exchange world over, SHFE has been striving for innovation through its own research and development. The Exchange rolled out its new generation trading system (NGES2.0) by its own R&D efforts, reducing the delay in order placing to 100 milliseconds, raising the order handling capacity to 60,000 orders per second and supporting the trading, clearing and information dissemination of variety of financial derivatives. Today, SHFE has become a very important exchange and traders from around the world monitor the commodity prices on it very closely.



# TRAFIGURA SHANGHAI

WRITTEN BY: IKE ZHOU XIAOKANG,  
TUNLIN (FRED)

**T**he students were welcomed by Ms. Shirley Zhu, GM for Trafigura China, Mr. Stephen Chang, Senior Oil Trader and Mr. Michael Li, Senior Metals Trader at Trafigura. They were given an overview of Trafigura's business model as well as in-depth insights into the energy and refined metals markets.

With a group revenue of \$98.1 billion in 2016, Trafigura is one of the largest independent commodity trading and logistics companies in the world. Trafigura is headquartered in Singapore (previously Geneva) and has a global presence, with 61 offices in 31 countries. Through its network of investments and subsidiaries, Trafigura has successfully integrated its business functions at various stages along the supply chain, from upstream activities such as mining to downstream businesses such as logistics and shipping.



## BUSINESS OVERVIEW

Ms. Zhu gave an overview of Trafigura's main industrial assets, DT Group and Puma Energy, which have allowed Trafigura to expand into the Sub-Saharan Africa market as well as Impala Terminals. This has allowed Trafigura the flexibility to be the cushion between a constant demand in crude oil and its distillates and the flexible demand market that has become the global oil trade today. She emphasised on the arbitrage opportunities achieved through the transformation in space, time and form of the dry and wet commodities traded by Trafigura.

## ENERGY MARKET

Mr. Chang, who started off as a metals trader before his rotation, gave insight of the transferability of trading concepts as a trader, even if technical knowledge took an estimated 2 years to catch up on. He gave an introduction to the historic uses of oil as a weapon, before it became widespread enough to replace whale-oil as a fuel source and eventually, the diversified uses it has today. He left us with an interesting quote, stating that trading "added value, but not a consistent value", so it was up to the smartest people in the trade to attain the maximum value to survive in this low margin environment.

## REFINED METALS MARKET

Mr. Li highlighted the significance of Trafigura's metals and minerals trading division, which makes up 35% of the group's revenue. In China alone, Trafigura traded 1.7 million metric tons of non-ferrous refined metals. He then gave a brief overview of the refining process for metals, hedging and various physical arbitrage opportunities. Through internal collaboration, the use of a range of tools to facilitate trading and careful risk management, Trafigura is able to create value and maintain strong growth. Trafigura's unique operation through a domestic trading subsidiarity has helped it to develop to maintain a strong position in China.





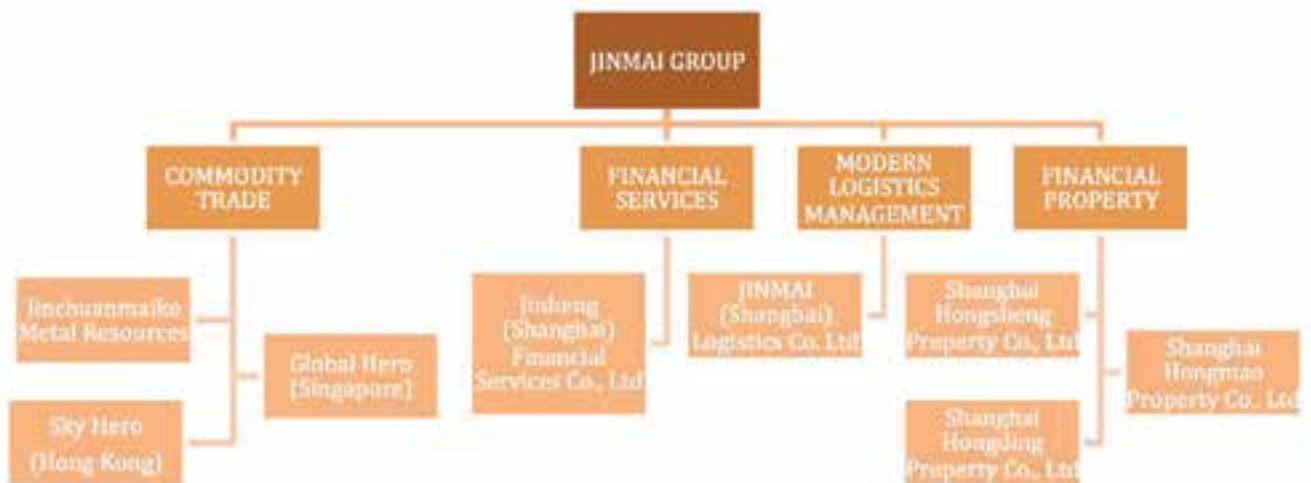
# JINCHUAN MAIKE (JINMAI)

WRITTEN BY: YEE JUN WEN (EDMUND)  
AND MARY NGYUEN HONG VAN

**J**INCHUANMAIKE METAL RESOURCES CO. LTD (JINMAI), founded in 2013 in Shanghai Free Trade Zone, is an integrated commodity service provider covering the whole industry chain. The company constantly stays top in China regarding copper cathodes, nickel, lead, zinc and silver by sales volume.







At first glance upon arrival of JINMAI's office, the most eye-catching detail that hit us was the unique choice of infrastructure for the building. Standing out amongst the monotonous landscape of grey-scale office buildings is a Google-like glass paneled building. Entering into the receptionist area, we were greeted with an unpretentious yet grand interior with a cascading waterfall in the backdrop that had an unexpected calming effect. As the company's representative warmly welcomed us, we were being toured around various departments of this fast growing trading super star. Interestingly, different departments of the company were segmented by different floors to optimise communication between teams.



## TRADING DIVISION - COPPER, NICKEL & MULTI METALS

JINMAI stays true to its open minded and western-influenced style of company management with an open layout of desks and chairs with traders sitting directly next to their operations team. It signifies a flat hierarchy between employees to optimise efficiency in the working environment.

It has a trading portfolio that is largely concentrated in physical base metals, and has traded over 3 million tons of non-ferrous metals and recorded RMB 76 billion revenue by the end of 2015 resulting in them ranking amongst top traders in China in terms of copper cathodes and nickel.

Split into 3 main trading segments:

- Copper Trading Department is JINMAI's core business division which focuses on domestic and foreign trade of copper cathodes and copper raw materials as well as other related resources, logistics, finance and other integrated services.
- JINMAI's Nickel Trading Department focuses in nickel raw materials, cobalt raw materials, nickel, cobalt, refined ferronickel, domestic nickel pig iron and chemicals.
- Lastly, the Multi-Metal Department is a team within the firm which conducts domestic and foreign trade of non-ferrous metals other than copper and nickel. They include rare and precious metals as well as minor metals. With a flexible and diversified operation approaches and timely and accurate access to market information, the Multi-Metal Department not only trades in the physical market, but has a larger proportion of derivative positions as compared to its other trading departments.

JINMAI has benefited well in China's insatiable demand for materials for its huge manufacturing and construction sector over the past few years of operation by focusing mainly as a service provider in the domestic market for base metals. Dealing in large volumes of physical trades, JINMAI hedges most of its flat price risk with derivative contracts which is handled by the risk team of each trading department. The function of these derivative contracts in JINMAI's trading strategy serves more as a hedging tool rather than one that takes speculative trading positions. One peculiar aspect about the way their copper trades are hedged is the large emphasis of hedging them in the LME market rather than in domestic markets like SHFE or DCE. This could potentially expose their trades to a considerable amount of basis risk that erodes away the trade margins. However, we believe that the rationale behind this peculiarity is ultimately explained by liquidity concerns of the copper futures contract.

Another unique aspect of JINMAI's trading business is the way that its departments are structured. The organizational structure is grouped according to each commodity product traded with the Copper Trading Department as one team, the Nickel Trading Department as another and lastly with rare and precious metals as well as minor metals grouped together as a team in the Multi-Metal Department. Besides, having the trade operational personnel seated together with the traders in the team, JINMAI's has uniquely separated all of its logistical operation personnel into a collective department under the Logistic Department in order to optimise business efficiency.

## THE COMPANY CULTURE

One of the factors that contribute to the skyrocket growth of JINMAI is the company's strong corporate culture. Understanding the impact of partnership and sustainable development, the company introduces JINMAI College – an open and professional training platform customised for the commodity industry. The purpose of this initiatives is to create a platform featuring In-house Training, Industry Networking and Campus-business Partnership and Common Development. JINMAI College offers various courses focusing on Corporate Management, Capital Operation, Industry Know-how as well as Financial Management to enhance personal training and build a stable team. This platform is to provide solid support for the company and offered to serve the industry. The CEO does believe in giving back to community, corporate social responsibility and innovation to enhance their competitive advantage.

At the same time, the company has built a superior human resource management system through implementing the Western culture with numerous welfare including recreational room, gymnastics room and catered meals for their employees. JINMAI holds its belief that providing employees with nutrition can benefit both the organization and their employees. Respect, Sharing, Passion and Responsibility are 4 key values that every department in the company hold dearly. The management believes in make full use of their talents as well as to grow their potential abilities.

## THE COMPANY'S EXPONENTIAL GROWTH

Since its inception in 2013, JINMAI's exponential growth has been constant over three years with the focus on the domestic market. The company has grown its number of employees from 8 (2013) to 117 (2016), and Trade Volume from 900,00 MT (2013) to 3 million MT (2016). The company has also strengthened their position in the industry with various recognised honors, including "Top Companies of China (Shanghai) Pilot Free Trade Zone 2014", "Top Companies of Jinchuan Group 2014", "Key Supporting Companies of (Shanghai) Free Trade Zone 2016", "Top 100 Companies in Shanghai Free Trade Zone 2016". Especially, JINMAI has successfully purchased an office building in the prestigious North Bund and will be moving to the new office soon to better serve their business needs. Despite the nature of a state-owned company, the company is still autonomously operated by its board of management in every key business decisions.

With a diversified portfolio of modern logistics management, investment of mineral resources, financial services and commercial properties, the company aims to become a leading commodity trader in China and a world leading integrated commodity service provider in the near future



# ENGELHART COMMODITIES TRADING PARTNERS

WRITTEN BY: LESTER LIM, NG JUNMING (ENZO)

**E**CTP is a global diversified merchant and client solutions provider in the commodities space covering a range of agricultural, industrial, and energy products. However, agricultural trading remains the biggest part of the company's operations and ECTP provides support to clients throughout the entire value chain.

Formerly known as BTG Pactual Commodities, we were introduced to the company by David, a soy trader. ECTP had transformed from BTG Pactual into its current asset light business model as David highlighted the importance of being asset light. Not only does it provide a healthier balance sheet, an asset light model allows ECTP to remain flexible and poised to cater to the ever changing market demands.





When we were in the conference room with both David and Peter, a pricing analyst, we realised the importance to have the synergy in order to make successful trade executions. Throughout the session, they would defer to each person's respective expertise whenever they have doubts.

Truth be told, we were fraught with preconceived notions about what trading entailed and expected traders to be headstrong and arrogant. However, we were pleasantly surprised by their humility and constant reminders to aspiring traders to remain grounded and to always cut your losses when it is evident that a mistake was made. In David's presentation about his trading philosophy, he made it clear to aspiring traders that the market is always right. He emphasized to us to cut losses when needed and never to allow emotions to take control.

And so perhaps after these trips, we have come to the realisation that the immense knowledge gap that we still have and need to develop before fulfilling our aspirations to be a physical trader.



# PACIFIC INTERNATIONAL LINES

WRITTEN BY: JUSTIN YEO, YAM JUN HOU

**P**acific International Lines (PIL) is a Singaporean shipping company incorporated in 1967. As of April 2017, the company owns 142 Vessels and 371,041 TEUs, making them the largest private shipowner in Asia. PIL's main business focuses on being a fully-fledged liner company; owning their own ships, container terminals and agencies. Besides being a shipping company, PIL also owns several shipping-related side businesses that better facilitates their role as a liner company. They own Singamas, which is the second largest container manufacturing company in the world. Their clients include major liner companies such as Maersk and MSC, and container leasing companies such as Triton. Additionally, they have a subsidiary called PIL Logistics, that provides supply-chain management to major shipping companies.

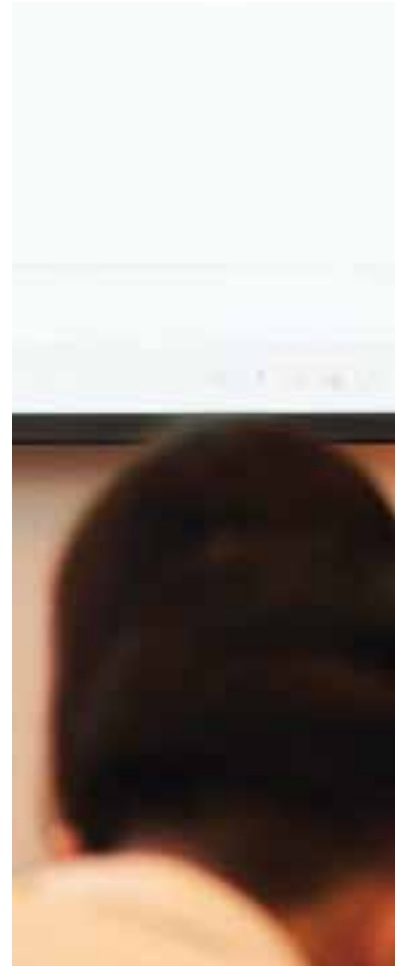


**P**IL prides itself on the quality and reliability of its shipping services. On the shipping side, they constantly look for new trade routes and potential markets to enter, to maximise the value for their shareholders. They were one of the first shipping companies allowed to enter the Chinese market. A driving factor why PIL is able to emerge as a successful shipping company in this volatile industry is because of its ability to provide SMART solutions with its forecasts and analysis and its excellent customer support. Its fuel forecast and cost analysis helps PIL to significantly reduce its costs and remain competitive in the market. Its excellent support allows its customers to be able to check on the status of its cargo anytime and have seamless accounting practices.

Besides shipping, PIL also believes in the giving back to society. Corporate Social Responsibility is one of the cornerstones of their business, they have strived to involve themselves in environmental and social issues, such as transporting supplies to aid in the Typhoon Haiyan disaster and Ebola outbreak. Moving forward, PIL aims to continue focusing on their specialisation, which is intra-Asia trade. The core values that the company is built upon will provide them a solid foundation while looking at an uncertain future.



# PACIFIC INTERNATIONAL LINES







The company visit provided us with an in-depth look into PIL. We learnt the importance of a liner company's supply-chain in transporting goods efficiently and reliably from the shipper to the buyer. Furthermore, we understood why companies are gunning to enter the Chinese market due China's position as a global economy and shipping hub.

# SINGAMAS CONTAINER HOLDINGS LTD.

WRITTEN BY: RANDY WONG

**S**ingamas Container Holdings Limited plays a significant role in the container manufacturing industry. It is one of the main players globally involved in manufacturing and logistics and enjoys a market share of 25%. As a subsidiary of Pacific International Lines, the company envisaged that China would be the country for production and its plant locations proliferated from that time. Currently, it has 12 factories, located around the vicinity of major China ports.



# SINGAMAS'S BUSINESS

Shanghai has been gradually losing its attractiveness as a location for container manufacturing due to the increase in labour cost, and stricter rules and regulations in place such as greener and air quality concerns. In response, Singamas established Qidong Base, which is located in the Yangtze River Shipping Industry Zone.

One of Singamas' business strategies is to place their plants and depots near coastal areas and at places that have the highest demand for their containers. For instance, the Tianjin Tai Ping (天津太平) production plant was set up to meet the increasing demand for dry containers in the northern part of China.

Another strategy is to increase economies of scope by producing a diversified product mix of containers. The profit from these containers ranges between a 10% - 40% margin on average depending on the complexity of the build and sophistication of their designs. This also acts as a buffer against the trade driven volatile market for dry freight containers. They continuously engage in R&D and after-sales services to enhance competitiveness within the industry.

The main cost for the manufacturing of dry containers is cost of raw materials such as steel, bamboo and paint. Singamas produces containers on par with Norwegian standards that can be sold at a premium. However, the low demand for these containers would be unprofitable for most firms to produce them. Nevertheless, since the raw materials for container manufacturing are largely the same, Singamas is able to achieve cost savings from buying these raw materials in bulk, due to large and stable demand for dry containers that Singamas manufactures as well.

They also source strategically for these materials. Previously, the floorings were made of wood but the increasing scarcity and long maturity time of the trees led to an increase in the price of wood. In response Singamas changed it to bamboo to balance out these factor. This allows Singamas to produce containers of special specifications at lower costs and sell them at a premium. This gives them a competitive edge in container manufacturing.









During our visit to their Qidong base, we were privileged enough to be given a guided tour through their work environment. It was an enriching experience to see first-hand how containers were constructed. The supervising team walked us through the entire process from manufacturing through assembly. The operations team were nothing less but an eye-opener. While they were fast and precise, the scale at which they managed to achieve it was truly remarkable. The supervisors mentioned that automation and having everything done in-house was part towards achieving this feat.

Following this, we were brought to a viewing area where we were shown, and given the opportunity to have a close up view of all their containers, from a regular 20ft TEU to a massive 52ft TEU and specialized containers ranging from an enclosed office space to an oversize fish tank. After the end of the tour, the team really felt blessed that everything was brought together so perfectly by the Singamas office such that we were able to have such an enlightening experience at their Qidong base.



# BANK MUSEUM, HOSTED BY ICBC

WRITTEN BY: CHUA ZHENG YANG,  
SHERIDAN GODFREY GAO

**I**ndustrial and Commercial Bank of China (ICBC) was established on 1 January 1984 and it was listed on both Shanghai Stock Exchange and Stock Exchange of Hong Kong Limited on 27 October 2006. Possessing a great customer base, a widely diversified corporate and business structure, ideal innovation abilities and market competitiveness, its services have extended to over 5784 corporate customers and 530 million non-corporate customers. As of 2016, ICBC is ranked first place in the three authoritative lists of The Banker's Top 1000 World Banks, the Forbes Global 2000 and the Fortune Global 500 Sub-list of Commercial Banks. It is considered as the largest bank and public company in the world by assets, comprising of a total of 3.47 billion dollars' worth of assets.





The three main competitors of ICBC include Bank of China Limited, China Construction Bank Corporation, and Agricultural Bank of China Limited. China's Big Four state-owned banks command a significant share of finance and can be described as financial oligarchies.

ICBC places a strong emphasis on the creation and utilization of its development strategy and has adhered to the strategy in its business development. Since the joint-stock reform, the Bank has developed and implemented multiple three-year development plans focusing around this core strategy, which has resulted in its remarkable achievements. This shows that their operational strategy, which factors in economic and financial development trends as well as customer demands, is an effective one as it has helped shaped the Bank's actual operation and development. ICBC aims to keep implementing these guidelines for transformation, focusing on the in-depth changing of its business mode, improve the core competitiveness and push forward for sustainable growth of its business

The ICBC museum provided us with an inside look into the beginnings of the banking system in China. The multiple interactive exhibits included banknotes and bills issued by these institutions, seals, badges, machines, publications which enabled us to visualise how financial transactions would have taken place in the past.

Overall through our visit, we were able to learn about the development of the banks in the revolutionary base areas, the main policies carried out in the financial sector in the early years since the founding of new China, as well as the great development in the sector since the reform and opening up.





# INTERTEK

WRITTEN BY: YASH MAVANI,  
KEN KOH, MOE

**I**ntertek is a 130 year-old multinational inspection, product testing and certification company headquartered in London, United Kingdom and listed on the London Stock Exchange . The company is the largest tester of consumer goods in the world with more than 1,000 laboratories across around 100 countries.

They provide key testing, inspecting, certifying services and assurance for many industries such as Chemicals, Agriculture, Construction, Energy, Transportation, Food and Healthcare among others. They work with their clients in product testing but also in every area of their operations such as R&D, sourcing and distribution, providing quality checks at each key area.

The visit had 2 key portions, presentations by Management on the scope of Intertek's business and its operational abilities.





**D**uring the visit to the laboratory of Intertek, we got an insight to some of their operational processes. The staff guiding us explained the various tests and testing facilities available at their Shanghai Laboratory. Intertek Shanghai Laboratory, allocates one entire floor of their building for their test labs and storage rooms. These test labs conduct tests on various petroleum products such as crude oil, refined petroleum products, refined fuels including LPG, diesel and natural gas. Each of these products has a designated room with specialised testing equipment.

We were introduced to various tests such as the elements test in the element analysis room where they would check for all the elements inside a given sample to ensure that they are not contaminated. Samples would be extracted from vessels at the Shanghai port and it is a crucial test to ensure the usability of vessel cargo holds among others. There are other test labs like high temperature oxidation test, water content test, flash point test, humidity test, sulphur test, viscosity test, etc. All the tests are related to the purity, durability or adaptability of the compounds which we were told were essential for the purpose of quality and sustainability of the products that Intertek's clients service. For example, in the case of crude oil, Intertek's clients task the lab with testing of new blends of products before they hit the market. Thus in the blending test, they will test for stability and output of a blend of a specific mixture of constituents. When they meet the specifications, they will pass the test.

While interacting with Intertek, they explained that the business process begins with the clients providing Intertek with a checklist of the products that they would like to test. Each client would possess their own specifications and with recurring customers, they usually carry out similar tests to each client's preferences. Intertek would have to collect samples and bring back to their Shanghai test labs from factories, ports or other labs in Shanghai.





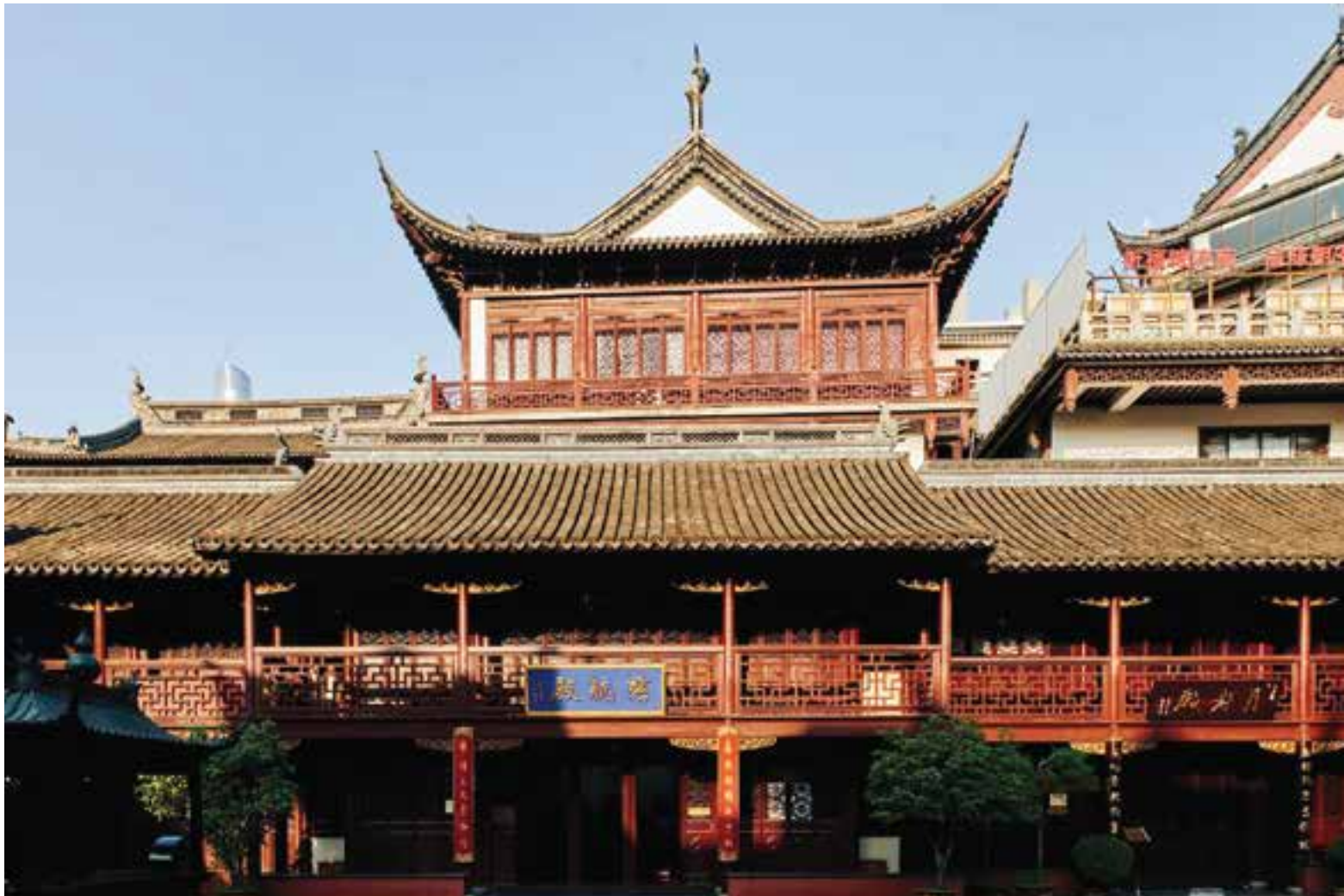
# KEY LEARNINGS



**W**e learned the need for testing of products and goods by the companies in the related industry, the operational procedures related to testing and the market share and global presence of Intertek. Most importantly, we learned how the testing is part and puzzle in production of some products and goods and it is essential to ensure the quality of products and goods.

We now have a deeper understanding of how testing services are carried out in Shanghai and globally, and more specifically, testing services for car production. While we did not exactly see the physical testing carried out for materials in the car, etc, the speaker showed us photos of the testing facilities for cars in Shanghai. Thus, we learned more about the operational procedures of testing services and facilities for cars in Shanghai. Most importantly, we learnt that it is a growing industry with demand for testing and inspection from all kinds of consumer goods and products (not just cars)!

Through this exposure, we were better able to understand the impact and emphasis of quality control and testing for commodities and how firms such as Intertek are crucial partners to many of the physical commodity firms around the world.







# NORDEN

WRITTEN BY: LEON LIM, JEREMY CHEOK

**O**ur final ISM company visit was to Dampskibsselskabet NORDEN A/S (Shanghai), one of the world's oldest listed shipping companies. Norden operates both dry cargo and product tankers globally and is one of the world's largest operators of the Supramax and Panamax dry cargo vessels.

The very first thing that caught our eyes, upon stepping into the Norden's Shanghai office, was the flat hierarchy and open dialogue environment, with the various teams seated in close proximity to one another. Here, beyond the various sessions and talks scheduled for us by the Norden office, we also had the opportunity to greet the Singapore office's chartering team due to a live webcam feed connecting the chartering desks of both offices which allowed for efficient and perhaps even instantaneous communication, coordinating daily tasks and decision making across the two offices. We were also told that when the Copenhagen headquarters begins their office hours, the live feed would in fact facilitate real-time information flow between all three offices. Clearly, digitalization is beginning to integrate itself in various aspects of the traditional maritime industry.

For the sharing sessions, we were privileged to have the General Manager & Chief Representative of the Shanghai office, Mr. Jens F. Jensen, and one of their chartering managers, Mr. Aw Bing Zong, to give us an overview of both the current state of Norden as well as the maritime market segments they are involved in. It was a very interactive session with questions thrown out by both sides and interesting answers presented in return.

Norden shared that in response to the recent maritime industry downturn, they have adopted an Asset Light Business Model, where directly owned vessels were gradually sold in favour of chartered and bareboat leased vessels. This provided option-based flexibility and the right to acquire certain vessels over the next impending decade. In doing so, Norden acquires adaptability, scale and arbitrage opportunities in which they are able to take advantage of the changing and volatile market conditions.

Norden also discussed their early challenges operating in the Chinese market as a foreign entity. They highlighted that the idea of “Guan Xi” or relationships was integral in building a foundation of trust and familiarity with their Chinese business counterparts. In addition, openly displaying and adhering to Norden’s core values allowed them to differentiate themselves as a dependable shipping company to work with, further creating another level of trust as a fresh entrant in the Chinese maritime scene.

During the Q&A session, students had the opportunity to question Norden with regards to our academia, particularly on the notion of perfect competition in the dry-bulk industry. To which, Norden responded that despite being one of the largest dry bulk operators, operating in a market with free information, their decisions will not be sufficient to impact the dry bulk industry as their market share is not significant enough to impact the dry bulk market.





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