

CAIXIN

# China creates massive state-owned logistics group

Move reflects Beijing's restructuring drive to boost competition in sector



A railway port in Zhejiang Province, China. The country wants to see its logistics and other sectors become more efficient and competitive. © Reuters

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财新 Caixin

A new logistics giant in China that combines five state-owned companies launched on Monday in a push by the central government to consolidate state assets.

China Logistics Group, with registered capital of 30 billion yuan (\$4.7 billion), was created through a combination of China Railway Materials Group and four subsidiaries of China Chengtong Holdings: China National Materials Storage and Transportation; CTS International Logistics; China Logistics; and China National Packaging.

The State-owned Assets Supervision and Administration Commission (SASAC) holds 38.9% of the new company, while state-owned investment company China Chengtong owns another 38.9%.

The new company also counts China Eastern Air Holding, China Cosco Shipping and China Merchants Group as strategic investors

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China Logistics Group now owns 120 railway lines for exclusive use, with routes connecting Asia and Europe. It also has 42 warehouses designated for future delivery, other storage facilities covering 4.95 million sq. meters and a transportation network consisting of 3 million licensed vehicles in 30 Chinese provinces and all major continents.

It includes has four domestically traded units, including Shenzhen-listed China Railway Materials and Xinjiang Guotong Pipeline, as well as Shanghai-listed Zhongchu Development Stock and CTS International Logistics.

The kickoff of China Logistics marks a key step in a campaign to consolidate assets among centrally administered state enterprises in recent years to improve efficiency and create competition in the logistics sector.

The new company will reinforce China's cross-border logistics business and improve integrated services involving various transportation methods, an analyst said.

Efforts to create the new logistics giant were unveiled in March when China Railway Materials Group and China Chengtong's units announced a possible restructuring. The asset consolidation was approved by the government on Nov. 30.

Under the plan, China Railway Materials took over assets from China Chengtong's subsidiaries at no cost and was renamed China Logistics. China Railway Materials revised its business registration on Dec. 3.

China Railway Materials can be traced back to 1887, with services including railroad maintenance, equipment manufacturing, fuel supply and logistics. The company had 55.7 million yuan in assets as of the end of 2019.

China Railway Materials ran into trouble in 2013 due to a slump in diesel and steel trade. By the end of 2015, the company's debt-to-asset ratio reached 121.8%, indicating insolvency. In 2016, the central government appointed China Chengtong to lead a restructuring to bail out China Railway Materials.

In January this year, China Railway Materials completed restructuring and listed its main assets in Shenzhen.

Beijing has continued pushing mergers and restructuring of state-owned enterprises in several industries including logistics and rare earth minerals, said SASAC spokesperson Peng Huagang in October.

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