

Companies

China Post to list unit in Shanghai

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Updated: 2010-07-09 09:03



An employee of China Post Group sorts mail at a post office in Nanjing. [An Xin / for China Daily]

Newly formed express and logistics arm planning public float next year

BEIJING - China Post, the official postal service of China, is planning to list the shares of China Postal Express & Logistics Corporation, its express and logistics unit, in Shanghai or Shenzhen next year, a source familiar with the matter said on Thursday.

The float will make China Postal Express & Logistics Corporation the first listed express company in China, said Shao Zhonglin, deputy secretary-general of the China Express Association.

The integrated unit was set up with a registered capital of 200 million yuan (\$29.51 million) on June 29 and combines the express and logistics operations of the group.

Liu Andong, general manager of China Post, said the integration of the express unit EMS Corporation and the logistics arm China Post Logistics Co Ltd was part of the plans to transform itself into a modernized post group.

EMS was established in 1985 to operate the country's postal express mail service, while China Post Logistics was founded in 2003 to manage comprehensive businesses such as warehousing, distribution, and transportation.

In 2009, EMS earned revenue of around 15 billion yuan, and was the market leader in China, said a July 5 report in the 21st Century Business Herald.

The new entity will own the "all night" cargo aviation network and also have the largest domestic express service network. It will also promote resource sharing between the two sectors and help reduce costs, said the group.

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Zhang Hai, an analyst tracking the logistics sector at Donghai Securities, said China Post is likely to use the high quality assets of the express sector to guarantee profits and attract investors. The company may, however, use the float proceeds for the less developed logistics business.

Zhang expects the company to raise no more than 1 billion yuan from the IPO, aided by strategic investors from the airlines sector.

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Analysts said the thorniest issue for the new company will be on how to divide the business between Express & Logistics Corporation and the parent group.

"That means there will be a lot of overlapping transactions between the two companies. Both companies will have problems on how to factor the relevant costs," said Xu Yong, chief advisor of China Express Consulting Website.

There are problems also, if the company opts for a clear division of its businesses and finances as it may end up facing internal competition, said Zhang.

"The float will not only benefit China Post, but also the private sector," said Wei Dengming, deputy director of the Enterprise Development Department at ZJS Express, a private express delivery company in China.

China Post owned 1.802 million shares of Hunan Copote Science & Technology Co Ltd and was planning a back-door listing. However, the plan was abandoned and the shares were transferred to another postal institute in May.

Postal services are generally government-controlled and very few have actually tested the market waters.

German postal operator Deutsche Post was one of the early birds in the market and listed shares of its subsidiary on the Frankfurt bourse in 2000. The subsidiary is the biggest listed logistics company in the world and is now called Deutsche Post DHL.