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China lines up shipbuilding mega-merger

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CSSC

Two units of China's largest shipbuilding conglomerate, China State Shipbuilding Corporation (CSSC), have moved to merge through a share swap deal expected to end competition and create a new global shipbuilding behemoth.

CSSC's Shanghai-listed flagship arm, China CSSC Holdings, plans to absorb and merge with smaller peer China Shipbuilding Industry Corporation (CSIC) by issuing A-shares to CSIC stockholders.

The move, which would establish the world's largest shipbuilding listed company, is also the largest asset consolidation since the formation of CSSC, following the merger of China State Shipbuilding Corporation and China Shipbuilding Industry Corporation in 2019.

CSSC Holdings has four major subsidiaries: Jiangnan Shipyard, Shanghai Waigaoqiao Shipbuilding, Chengxi Shipyard, and Guangzhou Shipyard International, while CSIC affiliated yards include the likes of Dalian Shipbuilding Industry Co, Bohai Shipbuilding Heavy Industry, Wuchang Shipbuilding Industry Co and Qingdao Beihai Shipbuilding, amongst others.

China's drive to integrate its two major shipbuilding businesses is consistent with its overall objective of combining state-owned enterprises across industries to create stronger entities and reduce rivalry among local businesses. The move resembles the combination of China COSCO Shipping Corporation and China Shipping Group in 2016, and the integration of China Merchants Group and Sinotrans CSC a year later.

The merger, classified as "major assets restructuring", aims to "accelerate the high-quality development of the ship assembly business, standardise competition in the industry, and improve the operational quality of listed companies," CSSC said in a Shanghai Exchange filing, adding that it would not change the ultimate control of either company.

Trading of shares in both entities has been halted since Tuesday, likely for up to 10 days.