

# **TARGET**

## **Intelligence Report**

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**T H U R S D A Y**

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**CSSC (HONGKONG) SHIPPING COMPANY LTD:**

**HONESTY IS, ALWAYS, THE BEST POLICY ...**

**THIS COMPANY IS CONTROLLED IN BEIJING**

It is made patently obvious on scanning the Global Offering Prospectus of CSSC (Hongkong) Shipping Company Ltd ([ ]) (Code: 3877, Main Board, The Stock Exchange of Hongkong Ltd) that Beijing rules this roost.

This must be correct and proper in the thinking of any right-minded person since the Government of the People's Republic of China (PRC) owns 75 percent of the entire Issued and Fully Paid-Up Share Capital of the Company.

One should make no mistake about this situation.

But it may not be all be bad and, in fact, when the PRC's economy is on the roll, once more, this Company may well benefit, financially.

Further, by the looks of the financials of this shipyard-affiliated leasing company, Beijing is unlikely to be anxious to offload any of its equity stake in this very successful Company.

At Page 36 of the Global Offering Prospectus, published and disseminated on May 28, 2019, one is told of the following:

*‘... Subject to our Articles of Association and the applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise significant influence on our business and operations by, among others, controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions (including mergers and acquisitions), approving our annual budgets and taking other actions that require Shareholders’ approval.’*

### **The Initial Public Offering (IPO) Of CSSC (Hongkong) Shipping Company Ltd**

Management of CSSC (Hongkong) Shipping Company Ltd made a Global Offering of 1,534,020,000 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.34 to a high of \$HK1.42.

Investors of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC) were Offered the opportunity to subscribe to 153,404,000 Shares (the HKSAR Shares tranche) and International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors as well as corporate entities under their control (the International Placing Shares tranche) – were Offered 1,380,616,000 Shares via select Share Placements.

On Friday, June 14, 2019, Management of CSSC (Hongkong) Shipping Company Ltd announced that the Offer Price Per Share had been struck at \$HK1.34 – the lowest level of the Indicative Offer Price – and that the net proceeds from the Global Offering were anticipated to come in at about \$HK1,974,500,000.00.

Page Three of the Announcement as to the Offer Price and the Allotment Results of June 14, 2019, stated that the Company intended to utilise the net proceeds of the Global Offering as follows:

- Approximately, \$HK1,184,700,000.00, that is about 60 percent, *‘will be used to strengthen the capital base of the Group’s ship leasing business, which the Group believes will enhance the competitiveness of its ship leasing services and vessel portfolio’*;
- Approximately, \$HK592,400,000.00, that is about 30 percent, *‘will be used as the capital base for the Group’s sale-and-leaseback projects in respect of marine clean energy equipment (including marine LNG/LPG units)’*; and,

- Approximately, \$HK197,500,000, that is about 10 percent, ‘*will be used as working capital and for general corporate purposes.*’

It is noted that, despite having bank borrowings, amounting to \$HK22,567,489,000.00, as at December 31, 2018, not a penny of the net proceeds, derived from the Global Offering, was intended to be utilised in order to reduce the indebtedness to the Company’s five Principal Banks, all of which are enterprises, owned and controlled by the Government of the PRC, proper, being separate and distinct from the HKSAR.

Notwithstanding ... [CLICK TO ORDER FULL ARTICLE](#)

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