

InfoChina Stock Daily News & Analysis

– *On the Chinese Companies Publicly Traded in the U.S. –
AHEAD of Market and IMPACT Market*

Report Date: May 12, 2006

Content

CNOOC to greet first cargo of Australian LNG in May	2
China exports less oil in Jan.-Apr.	2
Guess on China’s monetary policy trend	3
Reduction in mobile call charges sparks public criticism	4
China Telecom cooperates with PCCW Global in Ethernet service	5
UM Pay posts bright future for China Mobile	5
Wu Ying: UTStarcom to turn loss into gain this year	6
UTStarcom personnel reshuffle: Softbank downgrades UTStarcom	6
Sinopec’s short-term bill issue not necessarily for further privatization - experts	7
China Unicom’s split share structure reform scheme adopted at shareholders’ meeting	7
Commercial banks, telecom operators to share credit information.....	8
Wang Jianzhou: China Mobile plans listing on A-share market	8
Beijing Unicom to issue new scheme about semi one-way charge.....	8
Sinopec signs crude import shipping deal with CSC Nanjing	9
Fully opening up of navigation rights may challenge Chinese airlines.....	9

CNOOC to greet first cargo of Australian LNG in May

BEIJING, May 12 (InfoChina) -- After losing to Japan on purchasing liquefied natural gas (LNG) from the Gorgon project in March, China will see the first cargo of LNG from Australia's North West Shelf project to arrive in Guangdong this May.

The gas supplier, North West Shelf Venture, which accounts for 40% of Australia's oil and gas production, says it would commit itself to an agreement signed with China National Offshore Oil Corporation Limited ("CNOOC", NYSE: CEO) in October 2002 and supply 3.3 million tons/year of LNG to Guangdong for 25 years.

The first cargo, measuring 50,000 tons in volume, will be shipped to Guangdong's Dapeng Bay, where the country's first LNG terminal, which will start operation in June 2006, is located.

Peter Cleary, president of North West Shelf Venture, says his company will focus on ensuring the supply of the Guangdong terminal before considering supply contracts with other Chinese LNG terminals.

Cleary declined to reveal related gas price, citing it "commercially confidential". But industry watchers generally hold that the profit margin will be "razor thin" and the deal is largely a "strategic" one.

CNOOC and the Australian company signed the agreement when the world was experiencing a buyer's LNG market and CNOOC was reported to have fetched a "very handsome" price.

Things changed fast over the past a couple of years, during which world gas prices soared with rising oil prices. Hardly changed were China's gas prices, which are still controlled by the government out of concerns to ensure civil affordability.

Caught between the lopsided international-domestic gas prices, CNOOC lost in March a 25-year 100-million-ton gas purchase contract signed with Australia's Gorgon project in October 2003 because of higher offer from Japan. (by Li Yuling)

China exports less oil in Jan.-Apr.

BEIJING, May 12 (InfoChina) – China exported 1 million tons of oil products and 660,000 tons of crude in April, according to the Chinese customs statistics issued on May 12.

Over the Jan.-Apr. period, the country exported 4.2 million tons of oil products and 2.4 million tons of crude, respectively 12.8% and 2.8% less than the corresponding figures for 2005.

Chinese oil companies including Sinopec (NYSE: SNP) and PetroChina (NYSE: PTR) stepped up oil export in 2005 when domestic oil prices were considerably lower than the international ones.

In Jan.-April 2005, the country exported 4.81 million tons of oil products and 2.47 million tons of crude.

Though China's domestic oil prices are still much lower than international counterparts, the Chinese government has taken a string of measures, including annihilating rebates on oil products exports, to ensure domestic supply. (by Li Yuling)

Guess on China's monetary policy trend

BEIJING, May 12 (InfoChina) – Earlier in April there was strong market expectation that China's central bank might soon tighten its monetary policy by raising the deposit reserve ratio as this was believed to be the most practical and most direct option.

Out of market expectation, the People's Bank of China opted to raise the lending rate on April 28, by 0.27 percentage points for the benchmark one-year loan interest rate, while without changing the interest rates for deposits, as part of its efforts to curb an investment binge and prevent economic overheating.

Though further tightening monetary policies are unlikely within a short period as the central bank will need time to observe the effects of the latest lending rate rise, quite a few analysts and scholars hold that the central bank may take further actions to withdraw excessive fluidity from the market in medium and long terms. Pending retrenching measures may include further rise of lending rate and upward adjustment of the deposit reserve ratio.

In view of the analysts, this is because the 27 basis points lending rate rise on April 28 is not forceful enough and of greater policy significance than actual effect. For this, the central bank may further raise the benchmark lending rate while keeping the interest rate for deposits unchanged. In the circumstance that substantial boom of domestic consumption is not seen, it is very difficult for the central bank to raise the interest rates for deposits, they say.

Stimulation of domestic consumption, meanwhile, is a major policy of the central government in a bid to underpin sustainable fast economic growth in the coming years.

Upward adjustment of the deposit reserve ratio is another option for the central bank to control excessive credit supply, on the ground that the M2 growth has been higher than the target set by the central bank for 13 consecutive months.

Anyway, this option is probably unnecessary at last. The on-going split equity structure reform on the domestic A-share market is closing to an end, after which the number of shares tradable on the secondary market of the Shanghai and Shenzhen stock exchanges will be expanded by some two-thirds. Besides, refinances and IPOs on the domestic stock market are soon to be resumed on the two exchanges after one-year suspension. All these need huge amounts of fresh capital inflow to the stock market, which will help lesson the fluidity excessiveness.

So, it is possible for the central bank to take multiple tools to accomplish the retrenching purposes, say, industrial regulation, placement of bills, and currency swap. (Info China/Xinhua)

Reduction in mobile call charges sparks public criticism

BEIJING, May 12 (InfoChina) -- The long-awaited cut in mobile phone call charges announced on May 8 by China Mobile has left the public decidedly underwhelmed.

"The new measures are meaningless to users who do not make or answer many phone calls. Why didn't they lower the charges directly?" said Wang Song, a dissatisfied subscriber to China Mobile.

According to the new charge criteria, Beijing users can choose to pay 80 yuan, 108 yuan, 168 yuan or 220 yuan for a certain number of minutes of calls they make to Beijing numbers every month. Or they can pay 10 yuan or 20 yuan a month for calls they answer.

Compared with the previous 0.4 yuan-per-minute charge, it is a significant drop as China Mobile users can now call other Beijing numbers for 0.2 yuan per minute or answer calls for 0.02 yuan per minute. But this does not cut much ice with Wang.

"The so-called price cuts force users to choose from monthly packages, otherwise they can not enjoy the 'favorable' policy. The minimum cost of a new package is 80 yuan a month but I only spend 50 yuan," Wang complained.

Figures with the Beijing Statistics Bureau show that the disposable income per capita for Beijing urban citizens was 17,653 yuan last year in which telecommunication expenditure was 842.8 yuan. That means each Beijing urban citizen spent about 70 yuan on average every month on phone calls which included phone calls through fixed lines.

"Most of Beijing subscribers are not covered by the new packages as they spend less than 80 yuan a month," said Zhang Hongshi, an expert in economics and management at Qinghua University.

To add to mobile users' woes, SMS messages, which have become very popular in China, have not been included in the price cuts. Statistics from the Ministry of Information Industry (MII) show that Chinese people spent 30 billion yuan last year on SMS messages. Some users even spent more on SMS messages than on phone calls.

The mobile charge adjustment also received strong criticism from netizens. A survey by Sina.com showed that 77% of the over 63,000 netizens surveyed are dissatisfied with the price cut and over 96% of them believe there is still ample room for operators to lower call charges.

In China, the call charge criteria is set by the government and users pay not only for making but also for answering phone calls. As China's mobile communication industry has soared in the past few years, the standard charges have become too high.

"Operators are not willing to lower their prices as they have no real competitors," said Yi Mingyu, supervisor of the telecoms consulting department with the China Center for Information Industry Development (CCID).

China Mobile and China Unicom are the two operators providing mobile services. But as they operate on different technologies and are unbalanced in strength, there is still a monopoly in the sector, said Yi.

The MII said earlier this year it would adopt a market mechanism for mobile call charges. China Mobile's price adjustment is considered to be the first step towards call charge reform in China.

With the imminent arrival of the third generation mobile communications and participation of more operators, Chinese users are expected to enjoy more price cuts, said Zhang. (1 US dollar=8.00 yuan) (InfoChina/Xinhua)

China Telecom cooperates with PCCW Global in Ethernet service

HONG KONG, May 12 (InfoChina) -- Hong Kong PCCW Global and China Telecom Group announced on May 11 they have launched the first-ever private line Ethernet service providing high bandwidth connectivity between Hong Kong and China.

The service, International Ethernet Private Line (IEPL), is an end-to-end managed bandwidth solution, providing customers with dedicated point-to-point cross border connectivity over a reliable platform, at high speed and with scaleable upgrades.

"IEPL is an ideal cross border connectivity solution for high traffic volume and mission critical applications, such as high bandwidth data transfer and video, storage applications. We are proud to deliver the first Ethernet service between China and Hong Kong. This is a key milestone for both China Telecom and PCCW Global." said Frederick Chui, PCCW Global's International Products and Solutions Senior Vice President.

PCCW Global and China Telecom have a long-standing commercial relationship, serving Chinese enterprises as they expand outside China into the region, and helping multinational companies grow and expand their business in China.

"The service responds to market demand for cross border data center connectivity as more and more enterprises are moving their back office operations and production plants to China. They need a scaleable platform with quick upgrade flexibility. This provides for better cost management and accommodates ad-hoc business requirements. It is an exciting development for customers expanding their business in China," he said.

The service conducted a soft launch in the second half of 2005, targeting the banking and finance sector, as well as the IT industry. It also serves the high bandwidth requirements of businesses in the trade and manufacturing sector.

PCCW Global and China Telecom have deployed a joint sales and marketing effort, winning early contracts from U.S.-based enterprises. (InfoChina/Xinhua)

UM Pay posts bright future for China Mobile

BEIJING, May 12 (InfoChina) – UM Pay, an electronic wallet service provider jointly launched by China Mobile (NYSE: CHL) and China Unionpay, is close to make profit, according to Zhang Bin, general manager of the company.

The company now has 10 million registered subscribers, with the number of active ones approaching a half. Its business scale covers online payment in many areas, including air tickets, lotteries, insurance, donations and telephone fees.

Depending on its two shareholders, UM Pay boasts potential resources including 230 million mobile phone users and 100 banking institutions.

Zhang reveals that only 5% of the deals in the mainland are electronic trade now. He predicts that the market will become mature by 2008 or 2010, when 3G is widely

popularized and more mobile telecom subscribers will pay for their 3G services through mobile payment platform.

Comparing with China Mobile, China's second largest mobile telecom operator China Unicom has launched cooperation with more than 30 enterprises in building mobile payment platform. (By Li Xiaoyu)

Wu Ying: UTStarcom to turn loss into gain this year

BEIJING, May 12 (InfoChina) – Wu Ying of UTStarcom Inc. (Nasdaq: UTSI) China predicts that UTStarcom will turn loss into profit in China and worldwide this year. Meanwhile, its financial report in 1Q'06 will show a better performance.

At present, UTStarcom has regarded personal handyphone system and IPTV as key businesses. However, Source from UTStarcom reveals that UTStarcom is likely to change the business focus in the future owing to the latest personnel change, but no further information is available.

On May 10, it announced Wu Ying, the incumbent Co-Founder and CEO of China, will assume worldwide CEO responsibilities, after Lu Hongliang, the president and CEO, resigns on December 31 2006.

No matter what changes take place, UTStarcom will still adhere to the development of IPTV about which Wu Ying is quite optimistic. He foresees that users of IPTV will amount to one million within two years. (Edited by Yang Liu)

UTStarcom personnel reshuffle: Softbank downgrades UTStarcom

BEIJING, May 12 (InfoChina) – Resignation of Lu Hongliang, president and CEO of UTStarcom Inc. (Nasdaq: UTSI), is probably affected by Softbank Corporation, a venture capital investment company, Zhang Yu, a telecom consultant from BDA was quoted by Shanghai Securities News as saying on May 12.

On May 11, the spokesman of UTStarcom indicates that the resignation has nothing to do with the declining performance of the company and the requirement from the board of directors.

As one of UTStarcom's shareholders and an important cooperator, Softbank's attitude exerts influence over the market evaluation of UTStarcom. Currently, the company's profits from personal handyphone system are declining and the development of IPTV sees an ambiguous future. It is reasonable for Softbank to downgrades UTStarcom.

Moreover, Lu kept a close relationship with Softbank. When UTStarcom was established in 1995, it was Lu Hongliang that helped Utstarcom obtain venture capital from Softbank.

However, Zhang Chun, manager of UTStarcom's investor relations, said that the resignation of Lu won't harm the cooperation between UTStarcom and Softbank and they will support each other as usual. (Edited by Yang Liu)

Sinopec's short-term bill issue not necessarily for further privatization - experts

BEIJING, May 12 (InfoChina) – Sinopec (NYSE: SNP) has not finalized its split share structure reform scheme and the scheme to privatize listed subsidiaries by now, Zhang Jingming, secretary of the board with Shanghai Petrochemicals (NYSE: SHI), was quoted by Shanghai Securities News as saying on May 12.

Zhang's comment came after Sinopec announced on May 11 to issue 10 billion yuan short-term finance bills on May 16.

The bill issue is largely regarded as Sinopec's crucial step towards new round of acquisition of remainder domestic and overseas listed subsidiaries. As a result, the stock prices of Shanghai Petrochemical (SH:600688) and Yizheng Chemical Fiber (SH:600871), two of Sinopec's Shanghai-listed subsidiaries, registered a surge of 6.78% and 1.37% respectively on May 11 as soon as Sinopec posted its decision, against a fall of some 3% for the Shanghai Stock Exchange Composite Index on the same day.

However, experts saw the money-raising activity no more than a normal financing deal, aiming mostly to ease Sinopec's strain cash flow.

Huang Meilong, an analyst with Shenyin & Wanguo Securities Research Institute, pointed out fallacy of issuing such bills without stopping trading of the target subsidiaries if Sinopec really wanted to use the money to pay privatization expense.

Huang said the current operation would obviously cause speculation and increase acquisition cost.

Qiu Xiaofeng, an expert with Everbright Securities Research Institute, also noticed that Sinopec's last such short-term financial bill, issued on October 24, 2005, reached the maturity bottom on April 25, 2006. Taking this detail into account, it is no wonder that Sinopec launches this financing scheme. (Edited by Qiu Jun)

China Unicom's split share structure reform scheme adopted at shareholders' meeting

BEIJING, May 12 (InfoChina) – Shanghai-listed China United Communications Corporation Ltd. (SH: 600050), the parent company of China Unicom Co., Ltd. (NYSE: CHU), said on May 12 that its split share structure reform scheme was adopted at a shareholders' meeting on May 11.

According to the scheme, its currently non-tradable share holders will offer a total of 1.82 billion shares or 2.8-for-10 bonus shares to public holders of tradable shares quoted on the Shanghai bourse.

A total of 20,110 shareholders and proxies of shareholders representing 17,127,501,618 shares or 80.8031% of the company's total share capital attended the meeting, among whom 98.92% voted for the scheme.

As a blue chip on China's market, China Unicom's split share structure reform widely lures attention. The scheme is basically within the range of market prediction, which says that its currently non-tradable shareholders will give no more than 3-for-10 bonus shares in compensation for the right of negotiation of their holdings.

Meanwhile, China Unicom did not propose the issuance of warrants, which is different from the case with other big caps listed on the Shanghai Stock Exchange, such as Baosteel and China Merchants Bank.

China Unicom with a market capitalization of 57.2 billion yuan has a heavy weight in the indices of the Shanghai Stock Exchange, and its split share structure reform is crucial to the entire split equity structure reform of all Shanghai and Shenzhen-listed A-share companies. (Edited by Li Xiaoyu)

Commercial banks, telecom operators to share credit information

BEIJING, May 12 (InfoChina) – China's commercial banks will share credit information of individuals and enterprises with China's six major telecom operators, namely China Railcom, China Satcom, China Telecom (NYSE: CHA), China Unicom (NYSE: CHU), China Netcom (NYSE: CN) and China Mobile (NYSE: CHL), according to the Directive Opinions on Issues Concerning Commercial Banks Sharing Credit Information of Individuals and Enterprises with Telecom Enterprises jointly issued by People's Bank of China (PBC) and Chinese Ministry of Information Industry (MII).

That means the information of individuals and enterprises about paying telecom services fees in arrears will be brought into the database, which was constructed by commercial banks under the organization of PBC, and it will cast impacts when individuals and enterprises apply for banking services, such as housing loan and credit card.

It is expected that such an act will reduce the telecom charge arrears payable to the telecom operators and increase their revenues. (Edited by Li Xiaoyu)

Wang Jianzhou: China Mobile plans listing on A-share market

BEIJING, May 12 (InfoChina) – Wang Jianzhou, CEO and board chairman of China Mobile (NYSE: CHL), reveals that the company plans to get listed on China's A-share market.

The listing of China Mobile will change the structure of the whole domestic stock market and have a great influence on it, analysts say.

Wang advises China Securities Regulatory Commission to allow China Mobile to get listed domestically by issuing China Depository Receipts (CDR), which is similar to America Depository Receipts (ADR).

He also reveals that China Mobile has prepared well for 3G construction. The company will build 3G networks in areas with higher demands of high-speed wireless data transmission services, such as large cities and coastal areas. (Edited by Li Xiaoyu)

Beijing Unicom to issue new scheme about semi one-way charge

BEIJING, May 12 (InfoChina) – Beijing Unicom, the local branch of China Unicom Co., Ltd. (NYSE: CHU) in Beijing, plans to implement a semi one-way charge policy this June, so as to maintain its price advantage over China Mobile (NYSE: CHL) in Beijing.

It is expected that the detailed charging scheme will be issued soon.

Before this, China Mobile has lowered charges for mobile phone services in Beijing, with charge for dialed-menu subscribers approaching one-way charge, according to Chinese Ministry of Information Industry (MII).

In order to support China Unicom, MII allows the price of China Unicom to be 10% lower than that of China Mobile, according to a local newspaper. (Edited by Li Xiaoyu)

Sinopec signs crude import shipping deal with CSC Nanjing

BEIJING, May 12 (InfoChina) – China International United Petroleum & Chemical Co., Ltd (Unipecc), Sinopec (NYSE: SNP)'s oil trading subsidiary, has signed a contract with CSC Nanjing Tanker Co. on shipping of its oil imports.

It is learned that CSC Nanjing Tanker Co. will undertake to ship 18 million tons of crude per year for Unipecc.

CSC Nanjing Tanker Co. is a state-owned professional oil shipping company under China Changjiang National Shipping (Group) Co. (CSC). Unipecc ranks China's No.1 oil trader. Its oil import accounts for about 60% of the national total. (Edited by Qiu Jun)

Fully opening up of navigation rights may challenge Chinese airlines

BEIJING, May 12 (InfoChina) – China and the United States will probably launch a new round of negotiations concerning the opening up of navigation rights in the latter half of 2006, Shanghai Securities News run by Xinhua reports on May 12.

An official from the Civil Aviation Administration of China (CAAC) said that full opening up of international navigation rights is not feasible. China will adhere to the principal of progressively opening navigation rights.

The opening up of navigation rights is definitely a double-edged sword, which has brought domestic airliners as China Eastern Airlines (NYSE: CEA, HK: 0607, SH: 600115) and China Southern Airlines (NYSE: ZNH, HK: 1005, SH: 600029) not only a broader market but also fiercer competition. China Eastern Airlines CEO Li Fenghua said that Chinese airliners do not expect a too fast opening up of navigation rights. The growth of the Sino-America navigation rights in 2004 has brought much pressure to domestic air companies.

It is learnt that American airliners have already fully utilized the navigation rights specified in the Sino-America Aviation Agreement signed by the two sides in July 2004 and called for a further opening up. But Chinese airliners have only utilized less than one half of the navigation rights.

Due to the big gap between domestic airliners and American airliners in terms of fleet scale and management, a blind opening up of navigation rights may challenge and do harm to domestic airliners. (Edited by Yin Jie)

-- The End --

This daily news & analysis product is the sole and exclusive property of Xinhua News Agency who has sole responsibility for the accuracy and quality of the product. China Stock Reports, LLC does not guarantee the accuracy, completeness, and timeliness of the daily news & analysis. Any use of the daily news & analysis should give credit to Xinhua News Agency. This daily news & analysis is for informational purposes only and should not be considered a solicitation to buy or sell any security. There may be delays, omissions, or inaccuracies in the information. All contents are subject to change without notice. China Stock Reports, LLC and Xinhua News Agency reserve the right to terminate the daily news & analysis product and service at any time.

China Stock Reports, LLC does not give, whatsoever, warranties, express or implied, regarding performance or results from usage of Xinhua News Agency's material. We accept no liability arising out of use of the material. You bear responsibility for your own investment research and decisions, and should seek the advice of a financial or securities professional before making any investment.

Redistribution is prohibited without written permission. Copyright 2006.