TECH PROWESS BYD demonstrates self-driving monorail *p14*
HIGH SPIRITS Moutai continues to rev up on bourses *p16*

BUSINESS

RECOVERY PATH
Wenzhou getting back to work
p15

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Environmental tax to help China fight pollution

By CHEN JIA
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China will levy tax on businesses and public institutions that discharge pollutants from April onward, based on the country's Environmental Protection Tax Law, which came into effect on Jan 1.

The law, which relates to air, water, solid waste and noise pollution, encourages environmentally friendly production models for high-quality economic development.

"All the preparations have been completed," Wang Jianfan, director of the Ministry of Finance's tax policy department, said on Wednesday.

> **"To increase fiscal income is not the primary goal of the tax."**
>
> **Wang Jianfan,** director of the Ministry of Finance's tax policy department

$3.38 billion

pollutant discharge fees collected nationwide in 2017

The ministry is also exploring the possibility of taxing other pollutants, including carbon dioxide, and "when conditions permit, the scope of this law will be broadened," he said.

The main purpose of the new rules are to protect and improve the environment, and to reduce the emission of pollutants, Wang said.

"To increase fiscal income is not the primary goal of the tax," he added.

The Environmental Protection Tax Law Implementation Regulation was announced by the State Council, China's cabinet, on Dec 27, 2017. The law was passed by the National People's Congress Standing Committee in 2016.

Once the new tax is enforced, all the tax income will belong to the local governments. It is a replacement of the pollutant discharge fees that used to be collected by the local environmental protection departments, of which the central government used to take a 10 percent share, according to the Finance Ministry.

By the end of 2017, the country collected pollutant discharge fees of more than 22 billion yuan ($3.38 billion) from nearly 330,000 enterprises, up by 2.5 billion yuan or 12.3 percent from 2016, according to data from the State Administration of Taxation.

According to the Finance Ministry, local governments will have more autonomy to set a range for the taxes — from 1.2 yuan to 12 yuan for each unit of air and water pollution emitted — to reflect the different regional environmental conditions.

Beijing, for example, will levy 12 yuan on one unit of air pollution emitted and 14 yuan for water pollution, which is the highest limit of the tax range.

Li Wanfu, director of the Taxation Science Institute of the State Administration of Taxation, said that this law is the first in China to reflect "a green tax system". This is designed to tackle pollution, one of the other "three tough battles" to fight by 2020 as outlined by the Central Economic Work Conference.

According to the conference, pollution control will be a key battlefield, with authorities aiming for a significant reduction in major pollutant emissions and improvement in overall environmental conditions.

Residents select vegetables at a supermarket in Fuyang, Anhui province. WANG BIAO / FOR CHINA DAILY

Consumer inflation stays within target in 2017

CPI growth 'could reach 3% in February'

By XIN ZHIMING
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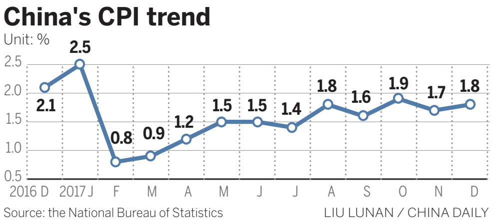

China's consumer inflation increased by 1.6 percent last year, lower than the yearly control target of 3 percent. Analysts said it will moderately rise by over 2 percent this year, but will not trigger any major monetary policy adjustment.

The Consumer Price Index accelerated to 1.8 percent in December, the National Bureau of Statistics announced on its website.

Weakening food prices are a major contributor to the fall in CPI inflation last month, Sheng Guoqing, a senior statistician of the NBS, said in a statement. Non-food price rises are the main cause of the overall growth, he said.

Whole-year CPI growth came in at 2 percent in 2016, according to the NBS. China set the control target of 3 percent last year.

Looking ahead, the consumer inflation rate could surge in February, in which the Spring Festival falls, analysts said. The seven-day holiday for the festival generally boosts consumption and consumer prices.

Zhu Jianfang, chief economist at CITIC Securities, said CPI growth could reach 3 percent in February and the whole-year reading could rise to 2.5 percent this year.

Huatai Securities forecast in a research note that average CPI growth could be around 2.5 percent this year.

If international oil prices rose to about $75 a barrel, China's inflation could reach 3 percent, it said.

"The expected high CPI reading in February could have a short-term impact on monetary policymaking and the financial market," Zhu said.

But for the whole year, moderate CPI growth will not have a major bearing on the current monetary policy stance, said Yan Ling, analyst with China Merchants Securities. Yan forecast whole-year CPI growth of 2.3 percent.

Monetary policy will become neutral this year, analysts said.

"This year's (financial) regulatory focus will be on prevention of risks and cutting leverage," according to a Haitong Securities research note.

China's Producer Price Index, which gauges factory-gate prices and is a major indicator of business health, rose 4.9 percent from a year earlier in December, compared with 5.8 percent in November. It is the slowest growth in 13 months.

The PPI decline is attributable to the weakening price growth in such sectors as oil and gas exploration, ferrous and non-ferrous metals, and coal mining and washing, which had bolstered the strong growth of PPI in previous months.

For the whole of 2017, PPI rose by 6.3 percent, compared with a drop of 1.4 percent for 2016, reversing the trend of continual PPI decline since 2012.

Wang Yanfei contributed to this story.

Online quiz apps gaining ground

By CHENG YU
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Livestreaming quiz applications are witnessing an explosive surge in China by drawing in a record number of participants in just a few days, making it the next growth frontier of the livestreaming sector in China.

The apps, which broadcast a live show, usually invite a host to ask questions of increasing difficulty. Players tap the handset's screen within 10 seconds to lock in answers. Those who can correctly answer all 12 questions will share the prize pool ranging from 100,000 yuan ($15,340) to over a million yuan.

The low cost, interactive mode of livestreaming, along with tantalizing incentives, have provided fresh impetus to the livestreaming sector that has often been stereotyped with routine shows and games.

"I found them really appealing as I can learn and play at the same time," said Chen Jie, a 31-year-old from Beijing, who downloads several livestreaming quiz apps at the same time. "Given that these are all free apps and I stand to win some money, why not take a chance?"

> **"The advertisement opportunities are immense — be it in decorating the livestreaming room, choosing hosts or setting the questions."**
>
> **Wang Chuanzhen,** analyst from consulting group Analysys

The rising popularity has prompted firms such as Zhishi Chaoren, Baiwan Yingjia and Chongding Dahui to offer higher incentives to attract users.

Zhishi Chaoren, backed by leading Chinese livestream platform Inke, is offering a prize of 1.01 million yuan for a single round at the peak, while its rival Baiwan Yingjia is giving a maximum of 1.02 million yuan for a single round.

Zhishi Chaoren has also roped in famous Chinese stars as hosts in a bid to differentiate from other apps and attract more users.

Industry analysts point out that such games also offer lucrative commercial opportunities for the companies that launch them.

"The advertisement opportunities are immense — be it in decorating the livestreaming room, choosing hosts or setting the questions," said Wang Chuanzhen, an analyst from consulting group Analysys.

Companies such as Zhishi Chaoren said they have already received expressions of interest from several companies wanting to place advertisements. It said it has already received 100 million yuan as advertising fees from Qudian, a Chinese fintech company.

With millions of users logging into the livestreaming apps at the same time, an array of challenges has also arrived, including the load-carrying capacity of servers and fluency of user experience.

Ratings snub raises questions about Wanda's financial health

By LI XIANG, HU YUANYUAN in Beijing and **WU YIYAO** in Shanghai

The liquidity position of Dalian Wanda Commercial Property Co Ltd, the property developer owned by Chinese billionaire Wang Jianlin, has drawn market attention and raised questions about the developer's financial health after its credit ratings were cut to junk.

Global credit ratings agency Fitch Ratings downgraded Wanda Commercial by two notches to BB+, a junk rating, from BBB, citing the company's inability to access offshore funding channels to boost its offshore liquidity in a timely manner.

The move followed the steps of the other two major credit ratings agencies Standard & Poor's and Moody's Investors Service, which downgraded the Chinese developer last September to junk grade.

Fitch Ratings said the developer will see greater liquidity pressure if its offshore lenders demand early payment or if it fails to raise sufficient offshore funds to repay its offshore loans due in March this year.

The risk is exacerbated by the absence of approval from the country's foreign exchange regulator to transfer onshore funds offshore, it added.

There had been speculation that Wanda may run into liquidity troubles after its parent Dalian Wanda Group sold most of its hotel and theme-park assets for more than $9 billion last year amid tighter government scrutiny on risky financing and overseas investment.

The Chinese conglomerate has canceled foreign investment plans after its high-profile acquisitions of overseas entertainment and sports assets drew regulatory attention.

People close to the developer told China Daily on Wednesday that the group's fundamentals remain sound and its short-term debt payment pressure is fine although it has a tighter liquidity position.

Market concerns about Wanda's liquidity problems reflected the increasing financing difficulties for Chinese property developers as the government has sought to cool the country's overheated property market, analysts said.

"It has been really difficult for Chinese developers to gain access to bank loans, especially for unlisted developers. If they seek to raise funds by selling bonds, the interest rates are very high," said Eva Lee, a property analyst at UBS Securities.

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Guizhou firm to handle Apple iCloud services in Chinese mainland

By MA SI, JING SHUIYU in Beijing and **YANG JUN** in Guiyang

Apple Inc's iCloud services on the Chinese mainland will be operated by a local company from Feb 28, marking the latest push by the United States tech giant to meet local consumers' growing demand for better cloud services.

Apple said on Wednesday that Guizhou-Cloud Big Data Industry Co Ltd, an enterprise owned by the Guizhou provincial government, will operate its iCloud service on the Chinese mainland.

The move is the latest step in the deal announced by Apple in July 2017, when it said it would invest $1 billion on new data centers in Guizhou province.

"This change will allow us to continue to improve the speed and reliability of our products while also complying with newly passed regulations that cloud services be operated by Chinese companies," Apple said in a statement.

In a period of seven weeks starting from Jan 10, the company will send emails and push notifications to its Chinese customers, notifying them of the change.

"Users in the Chinese mainland can choose to opt out of using iCloud. And if the user is not a Chinese citizen from the mainland, they can correct their Apple ID country or region setting," Apple added.

Young people use their mobile phones near an advertisement for iPhone X in Beijing. AP

James Yan, research director with Counterpoint Technology Market Research, a global research firm, said, "Such a move would further strengthen Apple's ties with the Chinese government, and help reduce the company's operating and maintenance costs of cloud services."

As for data security, he said the Chinese operator GCBD, with disaster recovery capabilities, has data privacy and security protection in place.

Apple is ratcheting up investment in China, where it is facing mounting competition from rivals such as Huawei Technologies Co Ltd.

In March, the Cupertino, California-based company announced plans to build two research and development centers in Shanghai and Suzhou, Jiangsu province, as part of its broad efforts to tap into the country's talent pool in manufacturing, design and app development.

The company also established two centers in Beijing and Shenzhen last year, and promised it would invest 3.5 billion yuan ($538 million) in these centers, highlighting the importance of China, the world's largest smartphone market.

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