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Xunlei stocks fall after security warning

By **FAN FEIFEI** and **CHEN JIA**

Shares of technology company Xunlei Ltd plunged 27.4 percent on Monday after the National Internet Finance Association of China said its token-based virtual currency, LinkToken, is a potentially high-risk model.

The association warned on Friday that the initial miner offering model (IMO), a new way to issue cryptocurrency, could have potential risks. It said the model, through which the LinkToken has been offered, "is essentially an activity of fundraising, and it is a form of disguised initial coin offering (ICO)".

"Consumers and investors should recognize the essence of this model, and to be more aware of investment risks," said a notice on the association's website.

The association also encouraged reporting on IMO or outbound ICO trading services to domestic individuals. "The illegal activities can be reported to the police," the notice said.

27.4 percent

decline in Xunlei Ltd's shares on Monday

Xunlei said in a written statement that they hold a positive attitude toward the notice from the regulator, and are willing to accept the guidance and supervision. Meanwhile, the company had clarified it wouldn't carry out any ICO-related activities before the country banned such activities.

"We didn't charge users any kind of fees during the distribution process of LinkToken," said the company, which has repeatedly emphasized it doesn't support transactions with LinkToken and doesn't provide yuan exchange services.

China's central bank, the People's Bank of China, issued a notice with six other government departments in September 2017 calling on organizations and individuals to stop ICOs immediately, as the activities are suspected to be linked to illegal fundraising and security issuance activities.

The new IMO model involves companies selling mining hardware to generate a particular cryptocurrency or token that can be rewarded to contributors. It became popular in October last year, after the country's financial regulators banned ICOs, as they believe they could spark financial risks.

"Xunlei's LinkToken does not constitute an ICO and it is different from bitcoin as users usually obtain virtual currencies through purchases. But LinkToken must be obtained as a reward through the sharing of the user's idle bandwidth, storage space, computing power or other resources," said Zhao Zhanling, a legal researcher at China University of Political Science and Law who specializes in intellectual property cases.

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Economy

Technicians adjust manufacturing equipment at a new energy vehicle production line in Tianjin last month. XINHUA

Data fudging to be curbed

Latest moves expected to fix technical issues in country's statistics system

By **LI XIANG** and **XIN ZHIMING**

The central government will step up its efforts to stamp out inflated and falsified economic data after some local governments in the country cut their gross domestic product growth and admitted fudging key economic numbers, as part of the country's overall efforts to achieve high-quality growth, economists said on Monday.

The northern port city of Tianjin has substantially reduced the 2016 GDP growth data of the Binhai New Area, a business and financial district, by 33 percent to 665.4 billion yuan ($103.5 billion) from the initial official figure of 1 trillion yuan.

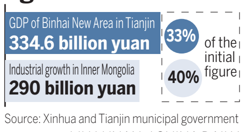
The municipal government admitted to the mistaken inclusion of economic activities of companies registered in Binhai district into the GDP calculation while their business activities actually took place elsewhere in the country.

Similarly, China's resource-based Inner Mongolia autonomous region also admitted that it had inflated its fiscal revenue and the industrial growth in 2016. The local government made a reduction of 290 billion yuan in the region's industrial growth in 2016, which was about 40 percent of the initial figure, according to a report by Xinhua News Agency.

The latest move by the local governments to adjust their GDP data reflected greater pressure from the central government to ensure data accuracy and its growing effort to address some technical problems in the country's statistics system, said Zhang Yansheng, chief economist at China Center for International Economic Exchanges.

"There is a need to make China's current statistics and evaluation system more scientific, law-based and transparent. And it has been recognized by the central government," Zhang said.

Reduction of growth figure for 2016



Source: Xinhua and Tianjin municipal government
LIU LUNAN / CHINA DAILY

China's top policymakers have pledged to improve the country's statistics system and the performance evaluation of local governments with an emphasis on high-quality growth at the tone-setting Central Economic Work Conference held last month.

Economists believe that such a pledge will mean fewer incentives for the local governments to inflate their economic data. They also expect the central government is to likely play down the importance of GDP growth in the Government Work Report to be released in March that usually sets the country's annual GDP target.

Wei Wei, an analyst at Ping An Securities, said that the country's intensified effort to clamp down on risky debts held by the local governments could also be one of the reasons that prompted the latest GDP revisions as they can no longer use inflated GDP and fiscal figures to cover up their real debt burden.

"While more local governments may be expected to revise their GDP data due to greater debt pressure and fiscal restraints, the positive news is that future data will better reflect the real economic performance," Wei said in a research note.

With less emphasis on GDP as the sole performance evaluation indicator, local governments could shift more attention to other key indicators that gauge growth quality such as people's income, and the development of healthcare, education and the environment, Wei added.

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2017 GDP growth could reach 6.9%

By **XIN ZHIMING** and **CHEN JIA**

China's GDP growth for 2017 may stay at 6.9 percent, thanks to favorable internal and external conditions despite the cool-off in the real estate sector and ongoing environmental protection measures, economists said.

Xu Hongcai, an economist with the China Center for International Economic Exchanges, said China's year-on-year GDP growth for 2017 could be a higher-than-expected 6.9 percent.

The world's second-largest economy expanded by 6.9 percent in the first three quarters of 2017, which is above the government's preset growth target of 6.5 percent.

6.7 percent

China's gross domestic product growth for 2016

Foreign trade recovered last year, consumption demand remained steady and high-tech sectors became stronger, contributing to the high growth rate, Xu said. Foreign trade rose 14.2 percent year-on-year in 2017, reversing a two-year declining trend, according to the General Administration of Customs' latest data.

Zhu Baoliang, chief economist of the State Information Center, said the stable GDP can be attributable to the country's macroeconomic regulation since 2015, which had led to stable infrastructure and real estate investment to bolster growth. He said the supply-side structural reform had reduced production capacities and pushed up industrial goods prices, leading to surging corporate profits.

Moreover, China had made much headway in economic restructuring, which has given rise to some new products, technologies and sectors. And the improving global economy has boosted China's export growth, he added.

Investment bank Goldman Sachs forecast that China's GDP growth for 2017 could hit 6.8 percent. "Economically, growth moved higher (than for 2016's 6.7 percent), reflecting better external conditions and the fruits of past policy changes," it said in its latest report.

The report said China has also managed to make some regulatory achievements to control financial risks. "Broad credit growth slowed from a pace of more than 20 percent to the low tens on a clampdown on shadow banking activity. In asset markets, policymakers reined in surging house prices, stabilized the currency after a volatile 2015-16, and oversaw a steady equity rally," the report said.

The National Bureau of Statistics is scheduled to release the country's key economic data, including whole-year GDP growth, industrial output, fixed asset investment, and retail sales, on Thursday.

Premier Li Keqiang said last week at the Lancang-Mekong Cooperation Leaders' Meeting that China's GDP growth for 2017 is "around 6.9 percent". China had maintained the trend of stable and improving growth in 2017, he said. Ning Jizhe, head of the NBS, said at a forum held on Saturday that the Chinese economy "showed sound momentum last year and did better than expected".

Xinhua News Agency contributed to this story.

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Moutai valuation surges as shares rise

By **ZHU WENQIAN** in Beijing and **YANG JUN** in Guizhou

Kweichow Moutai Co Ltd, China's signature high-end spirit maker, saw its share price hit a record high on Monday before edging down, even as analysts expect the firm to log further price gains due to product short supply and speculative interest.

Shanghai-listed Moutai closed 0.39 percent lower at 785.37 yuan ($122) per share on Monday after surging to 799.06 yuan during the day, and market value exceeding 1 trillion yuan. It became the first consumer stock with a market value that exceeded 1 trillion yuan, higher than London-based Diageo Plc and Brazil-based Ambev SA. Based on Monday's closing price, the company's valuation now stands at 986.6 billion yuan.

Among the 15 listed Chinese companies with high market valuations, Moutai is the only one from the consumer sector, with the others from sectors such as technology, finance, telecommunications and petroleum.

An employee packages Moutai liquor at Kweichow Moutai Co Ltd in Zunyi, Guizhou province. PROVIDED TO CHINA DAILY

In 2017, Moutai, a distiller from Maotai town in Guizhou province, achieved revenue of 76.4 billion yuan, up 50.5 percent from 2016. This year, it aims to net revenue of 90 billion yuan, adding 18 percent or more, and it plans to produce and sell over 120,000 metric tons of white spirits, according to the company.

Last week, Moutai said it expects online sales to account for 60 percent of its total sales sometime in the future, compared with 30 percent now. Moutai earlier had released more than 200,000 bottles of its products into the market to stabilize prices and alleviate supply shortages, but scalpers had purchased most of the liquor, reported China Business News.

In December, the company said it would raise the prices of its products by 18 percent this year, which will be the first price change since 2012.

A 500-ml bottle of Moutai's classic Feitian 53 percent liquor now retails for 1,499 yuan on online platform JD and consumers need to make an appointment online to reserve it. In December, the price of the same product on JD was 1,299 yuan per bottle.

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BHP sees softer iron ore market

By **ZHENG XIN**
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Mining giant BHP Billiton said it expects a slightly softer iron ore market in 2018 given construction is likely to grow at a slower pace globally.

"The iron ore market in 2018 will be volatile and more focused on high-quality products," said Arnoud Balhuizen, chief commercial officer of BHP.

"The change of China's development blueprint of focusing on economic quality and sustainability, from economic speed, has had an effect on the sector in the past year," Balhuizen said.

"Trends toward low emissions and high-quality products ask for more high-quality resources, and BHP is a company with lots of resources, which makes us a natural partner for Chinese companies."

Australia said on Monday it expects iron ore prices to average $51.50 a metric ton this year. That's a 20 percent decrease from 2017, thanks to rising global supply and moderating demand from top importer China, as its steel sector shrinks.

The China Iron and Steel Association also said it believes imported iron ore prices will not continue to rise, due to rising supply, high port inventories and more available steel scrap.

Arnoud Balhuizen, chief commercial officer of BHP

The rise in imported iron ore prices in the past couple of months was abnormal and the industry must be sober-minded about the oversupply of imported iron ore in the long term, said Jin Wei, head of the association, at a meeting held in Beijing on Saturday.

According to data released by the General Administration of Customs on Friday, China's iron ore imports increased 5 percent year-on-year in 2017, hitting a record high of 1.08 billion tons.

But Balhuizen said, considering the market in 2017 was stronger than the previous year, consumption continues to be strong, and the robust demand from China's Belt and Road Initiative, he remains confident in the company's business and cooperation with China in the upcoming year.

BHP said it expects projects involved with the Belt and Road Initiative will drive up to 150 million tons of steel demand, which will positively affect BHP's global business layout.

Of that amount, 80 percent would be used in structures and reinforced concrete, with 20 percent going into machinery and other equipment. Spread over a 10-year period, this amounts to an additional 15 million tonnes per annum, or 3 to 4 percent incremental demand growth for steel in regions participating the Belt and Road Initiative, the company said.

The demand for infrastructure investment in countries and regions participating the initiative is huge, and such investment will drive significant demand for construction materials and equipment, leading to an increase in direct and indirect demand for steel, Balhuizen said.

"This is a considerable lift, as it doubles the growth rate of local steel demand observed since 2011, and we firmly believe that China will double its accumulated stock of steel in use, which is currently between five and six tons per capita," he said.

"Among the range of possibilities we consider, our base case remains that Chinese steel production is yet to peak," Balhuizen said.