

# CHINA UPDATES

Your Trusted Source for Market Intel on China's Natural Health Product Industry



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### Health Food for Students Sells Good as Entrance Exams Come

As the annual entrance examinations for Chinese Middle and High School students is coming in less than one month, health products for students begin to sell good.

Amino acid oral solution, fish oil, lozenges to improve memory, gadgets for brain health...health products like these enjoy good sales in many pharmacies these days.

"This kind of lozenge can improve the students' memory. Now we are doing sales promotion. You can get one more if you buy five boxes." The shop assistant told the reporters that the stock will have to be replenished every few days because of the hot sale. The price of these products ranged from dozens to hundreds of yuan.

Most parents interviewed said that they know the effect of these health products may not be so good as they were claimed to be, but they still buy them for psychic solace. They don't want their children to lose on any details in fighting for the examination.

"I have been taking lozenges that can improve memories recently. Anyhow, it is show of my mother's love." A middle school student said.

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters are issued approximately three times a month. China Updates provides news on regulatory environment, new legislation, association activities and any information related to China's natural health products industry.

The State Food and Drug Administration have released notice on its website, reminding the consumers that the official authority has never approved any health food with functions of cerebral tonic or raising IQ. The state-approved health products that have the function of improving memory, boosting immunities and alleviating physical fatigue don't apply to cerebral tonic usage. (Source: USCHPA)

### Jiaduobao Health Drink in the “Hot Seat”

Nowadays, Chinese people are very familiar with the famous advertising made by an herbal tea brand Jiaduobao: “If you are worried about getting inflamed, just drink Jiaduobao.” But now

it is impeached for hiding its health food nature and disguising itself as common beverage that can be drunk by everyone.

Tangwei, a whistleblower who has reported cosmetic brands SK-II and Budweiser beer for false advertising in China, has written a letter to the Industrial and Commercial Bureau of Jiangxi Province on May 16.

In the letter, he claimed that Jiaduobao tried to make people all over the country believe that they were all getting inflamed and that Jiaduobao was the right beverage to relieve the symptom. Through this kind of advertising campaign, Jiaduobao has created quite a large sale across the country.

But Tangwei discovered that Jiaduobao has applied for the approval number as a kind of health food as early as in 1999. Health food is different from common food and can only be taken by certain groups of people. However, Jiaduobao have neither marked its nature on the package nor indicated that in its advertising.

Tangwei said Jiaduobao’s practice went against the Products Quality Law, which rules that the product should have warning signs if misuse of the product will affect people’s life and health.

In 2009, a consumer from China’s southern city of Hangzhou charged Jiaduobao for causing gastric ulcer. His doctor told him that he had stomach cold and Jiaduobao contains a kind of herbs named selfheal, which would aggravate the illness.

The components of Jiaduobao herbal tea like selfheal and licorice are said to have side effect on the users if they drink this kind of beverage in quantity or for a long time, let alone it isn’t fit for certain groups of people.

In face of the consumers’ charge, Jiaduobao responded that it had got hygiene license for its herbal tea products and identified the tea as a kind of botanical beverage on the outer packing. However, it still has no sign to indicate the potential side effect and the group of people who are not suitable for the beverage. (Source: China Economic Net)

### Amway to Build New Facility

Direct selling leader Amway today marked the official start of construction at an \$81 million manufacturing and warehouse facility near the company's world headquarters in Ada, Michigan, U.S. The 317,000-square-foot facility at 5101 Southfield Avenue will be completed in 2014. For more information, contact AMWAY/AMWAY

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vitamins, minerals and dietary supplements, sold exclusively by Amway distributors.

This new manufacturing facility is a reflection of the hard work of our distributors and employees," said Steve Van Andel, chairman of Amway. "Thanks to their efforts, we've reported record sales for our products year after year. That increased demand is the driver for our \$375 million global manufacturing expansion at seven sites around the globe. Four of the sites are located in the U.S., with two sites in our world headquarters community of Ada, Michigan."

Amway will add 200 advanced manufacturing jobs at the Spaulding Avenue site during the next three years, including 50 jobs when the plant opens its first phase in 2014. The facility is scheduled to begin operations in 2015.

More than 3 billion tablets and 1.3 billion softgel capsules will be produced annually at the Spaulding Avenue plant. One of the company's top selling dietary supplement products, NUTRILITE Vitamin C Plus Extended Release, will be manufactured at the site, along with NUTRILITE Cal Mag D, NUTRILITE Natural B Complex, NUTRILITE Salmon Omega-3, NUTRILITE Natural Multi Carotene and others.



"Over the last 79 years, Nutrilite has grown from a Quonset hut in southern California to a best-in-class research, agribusiness, manufacturing, vitamin and dietary supplement organization," said Jim Siewertsen, vice president of Nutrilite operations. "The new Spaulding Avenue site is the next chapter in our rich history."

The Michigan Economic Development Corporation approved a \$1.6 million incentive from the Michigan Strategic Fund to support construction of the facility. Ada Township approved an industrial facilities exemption for the facility as well. The Ada Township tax abatement is for 12 years, the maximum length allowed by the State of Michigan. The Right Place, a western Michigan economic development organization, provided Amway with support in securing those incentives.

Nutritional product sales accounted for 46 percent of Amway sales last year. Alticor, parent company to Amway, reported 2012 sales of \$11.3 billion.

#### Global manufacturing expansion

Amway plans a \$375 million manufacturing and R&D expansion globally, including four facilities in the U.S., a new manufacturing facility in India and second sites in both China and Vietnam.

The four U.S. sites, including the Spaulding facility, support the Nutrilite brand. Other U.S. facilities under construction include:

- A \$24 million nutrition powder products plant at the company's World Headquarters. The plant's addition created 50 new jobs in Ada, Michigan. Construction was recently completed.
- A \$42 million project in Buena Park, California, includes a new granulation facility to support tablet

manufacturing, new research and development facilities and pilot laboratories; and a two-story professional office building. Construction is underway.

-- A \$38 million Nutrilite Botanical Concentrate processing plant in Quincy, Washington, which will process plants from the company's nearby Trout Lake Farm sites. Construction is underway.

Groundbreaking for the \$95 million manufacturing plant in Tamil Nadu, India is scheduled in 2013 with completion in 2015. Plans for a \$20 million Amway manufacturing facility in Vietnam were released last month and construction is slated to begin later this year. In China, Amway will add a second manufacturing plant in Guangzhou. The \$75 million facility is scheduled to be fully operational in 2016.

In addition, Amway is building a \$10 million botanical research and experience center in Wuxi, China, near Shanghai, to integrate scientific knowledge used in product development with the historic use of traditional Asian plants. *(Source: PRnewswire UBM)*

## **Jiuzhitang' s Health Products Business Thwarted in Beijing**

One year ago, Jiuzhitang, an old-line Chinese traditional pharmaceutical company based in Hunan Province, had marched into health food area by setting up a headquarter in Beijing. But now, it had moved the office back to Hunan and withdrew from Beijing market.

Previously, Jiuzhitang's main products are tonic Chinese medicines. Its 2011 annual report showed that its products covered Chinese patent medicine, western medicine, biopharmaceuticals and others. Health food was not on the list.

In July 2012, Jiuzhitang set up Mengmao Science and Technology Co., Ltd in Beijing. The new company was aimed at entering the health food market. Jiuzhitang claimed that this was the company's strategic plan based on a thorough research in the market.

The only product of the new company is Zhishengmei L-ArabinoseL, which targets at people with elevated blood sugar and simple obesity.

But in the end of the year, its annual report showed that it had lost over 3.87 million yuan for the year.

Analysts say that there are mainly two reasons for its failure. First, the company itself does not own the intellectual property technology of the product. It entrusted another company to do OEM production. Second, L-ArabinoseL is only used as food additives in western countries and can not be used to lower blood sugar and reduce obesity.

Shi Lichen, Senior Pharmacy Partner of Alliance PKU Management Consultants, analyzed that to enter in health food area, the pharmaceutical enterprise swill usually run a pilot in its own base and summarize the factors to achieve success before it replicates the operational model to the national market. The sale model of health food is different from that of medicines. Now health food only accounts for about 30% of most pharmacies' sale. Besides, the Beijing market for Jiuzhitang is actually not mature. *(Source: www.21cbh.com)*

## Chinese-controlled Dairy Firm Preparing for New Zealand Listing

Chinese-controlled New Zealand dairy processing company Synlait Milk Ltd. announced on May 14 that it is considering listing on the New Zealand stock exchange (NZX).

However, Synlait Milk marketing and communications manager Michael Wan declined to comment on reports that Shanghai-based Bright Dairy and Food would be diluting its 51-percent stake and ceding control of the firm.

A statement from Synlait Milk advised it was considering an initial public offering and listing on the NZX main board, but gave no schedule for the process. Synlait Ltd., which owns the other 49 percent of the company, had advised Synlait Milk that it intended to distribute to its shareholders, on a pro-rata basis, the shares it held in Synlait Milk.



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As part of the proposed IPO, Synlait Milk intended to offer existing Synlait Ltd. shareholders the opportunity to sell some or all of their shares in Synlait Milk. "Bright Dairy is expected to retain its full investment in Synlait Milk," said the statement.

New Zealand media reported Tuesday that Bright Dairy was "expected" to shrink its 51-percent shareholding "into the 40s," but Wan told Xinhua, "We don't have any further comment to make other than what we issued in the statement."

The proceeds of any offer would be used to support various growth initiatives, including the construction of a new packaging plant, and to facilitate Synlait Milk refinancing its debt position to support the initiatives, said the statement.

Earlier this month, Synlait Milk announced it was to become the world's second manufacturer of an ultra-fine form of the lucrative milk protein lactoferrin to meet booming demand from China with an investment of 15 million NZ dollars (12.42 million U.S. dollars) to upgrade its special milk drier at Dunsandel, in the South Island.

Shanghai-based Bright Dairy purchased its majority stake in the Synlait Milk for 82 million NZ dollars in 2010.

Chen Xushan, analyst with Orient Securities, said that the listing of Synlait Milk could expand its financing channels and increase profits. The Bright Dairy has secured a safe return on its investment in New Zealand in the short term. Besides, Synlait Milk is expected to supply quality and low-priced milk for the Bright for a long time. (Source: Xinhua Net)

## CFDA Withdraws Approval Numbers of 17 Illegal Health Food Ads

China Food and Drug Administration has withdrew the approval numbers of 17 illegal health food



advertising in its special operation on health launched this month.

The CFDA asked local authorities to give administration warnings to the related enterprises and require them to stop illegal advertisings. (*Source:www.sfda.gov.cn*)

### **Police Seize Counterfeit Amway Products**

Police in Nanjing, in East China's Jiangsu province, have seized 120,000 cartons of counterfeit Amway products worth more than 140 million yuan (\$23 million), the biggest case since the US company entered the Chinese market in 1995.

A report on the official website of People's Daily, [www.people.com.cn](http://www.people.com.cn), said that nine sites were raided on April 2, with fake products seized and seven suspects arrested.

Police then moved into seven provinces and destroyed various production and sales sites. (*Source: China Daily*)

### **China's Dairy Enterprises Vie with Foreign Rivals by Import Stamps**

Nowadays, China's dairy enterprises are establishing transnational companies to fight against the confidence crisis brought by the milk scandal in 2008.

Lead milk enterprises like Yashili, Biostime and Beingmate are all adopting international strategy. 100% imported milk and competitive prices became the trump card for their promotion.

The spokesman of Yashili said: "We are Chinese transnational companies, just like the American transnational companies Coca Cola and McDonald's." He stressed that the milk of his company were all imported from New Zealand.

According to Euromonitor International, China's market capacity for infant formula will reach 25 billion dollars. But because of concern about the domestic food safety, Chinese consumers prefer to buy overseas products like Nestle, Danone and Abbott. (*Source: Reuters*)

### **Chairman of CHCA: China's Health Industry is Rising**

China's health industry is rising these years and will have a promising future, said Zhang Fenglou, Chairman of China Health Care Association in his interview with Xinhua Net.

Zhang said that the 12th Five-year Plan includes the direction, layout and goals of nutrition and health food development for the first time. It is planned to reach the sale target of one trillion Yuan by the year 2015.

Statistics show that the health food consumption accounts for 2% of the overall consumption in western countries while the number in China is only 0.02%. This is just one eighth of the America and one twelfth of Japan.

However, Zhang said that with the economic development and improvement of people's living standard these years, the health food industry is developing very fast.

He suggested that China should take good advantage of its traditional medicine and develop products with our own intellectual property. Now the country has approved over ten thousands kinds of health food, among which those composed by traditional Chinese medicines account for 65%. Zhang said there was still a large space for further development. *(Source: China Health Care Association)*

## **Dali Group Launches New Functional Beverage**

Fujian-based Dali Group unveiled its new functional beverage—Hi Tiger in April.

This new functional beverage, launched by China's leading national brand of food production, contains taurine, inositol, amino acids and other energy nutrients that are important for the body which help to maintain exercise capacity, fight fatigue and refresh the brain.

Hi Tiger is one of the few products that has received Domestical Healthy Product Approval Certificate and is entitled to use the name of "functional beverage".

At present, two packages of Hi Tiger—one of 250ml can and another of 300ml bottle—are available on the market and the pricing is very competitive. *(Source: China Health Care Association)*

## **Function of Collagen Falls in Dispute**

On May 19, a weibo post on collagen supplements released by a verified microblogger as the attending physician of the Department of Burn Surgery in Jishuitan Hospital, one of Beijing's first-level hospital, sparked hot debates on the function of collagen supplements.

The post wrote that all the oral collagen supplements were "phony, no matter what effects the manufactures promises."

The post quickly attracted interest and was forwarded for more than 56,000 times in less than five days.

Collagen is a group of proteins, which plays an important role in human connective tissue. It connects and supports other bodily tissues such as skin, bone, tendon, muscle and cartilage. As people age, the body produces less collagen and the skin loses elasticity and resiliency, resulting in wrinkles and fine lines. Therefore, to combat aging, many beauty lovers resorts to collagen supplements that tout anti-aging effect.

The physician said in an interview that Collagen was a big molecule and when consumed orally, it was broken down into amino acids before absorption. Therefore, the body absorbed, consequently, amino acids, instead of collagen. His views won supports from professionals in medical and nutritional fields who agreed that more evidence should be needed to prove the function of collagen supplements.

Many a collagen supplement manufacturers responded that their production were safe and reliable, and above all, endorsed by experts. *(Source: USCHPA)*

## **CCTV: Fake Foreign Formula New Bay Bay Severely Affects Children’s Growth**

New Bay Bay, a formula brand produced by NZ SUTTON GROUP, who claimed itself as a high-end foreign brand, was exposed by CCTV as not foreign at all. Tests by National Dairy Quality Supervision and Inspection Center showed that New Bay Bay was totally substandard and pediatrician said it would severely affect children’s development.

New Bay Bay claimed itself as a high end brand from New Zealand, however, investigation by CCTV revealed that the brand could not be found in local markets and locals had never heard of it. And the distributor turned out to be an auto repair shop.

Tests on New Bay Bay’s formula demonstrated that it was totally substandard, in which the selenium content was far below the labeled value and also below the minimum limit of national standard.

Pediatrician Ding zongyi, expert of the Codex Alimentarius Commission of the Food and Agriculture Organization of the United Nations (FAO) said long-term use of this infant milk powder with severely inadequate selenium intake would result in decreased immunity, anorexia, growth retardation, even ischemic heart disease, fibroma and diabetes.

China’s increasing thirst for foreign brand formula came after a series of dairy scandals in China in recent years which had led to the decreasing of trust in domestic dairy brands. *(Source: CCTV)*

## **ERROR CORRECTION**

In Issue 43 of “China Updates”, the association mistakenly reported the launch of Nordic Naturals EPA “Lite”. The correct product name is EPA Elite. The association apologizes for this error and has corrected the error in its archived Issue 43. To view more details about Nordic Naturals and their new product launch EPA Elite, visit [www.nordicnaturals.com](http://www.nordicnaturals.com). *(Source: USCHPA)*

## **Where’s Issue 44?**

The number “four” in Chinese is 四 pronounced like “si”. The word for “die” in Chinese is 死, which is also pronounced as “si”, but with a different tone. Because of this similar sound, 4 is unlucky and 44 would be doubly unlucky。 Since China is already a difficult market to navigate, we want to avoid bad luck at all costs! “Eight” is lucky, so we are looking forward to our 88<sup>th</sup> issue of “China Updates”.

**If you have China related news that you would like to share with the association for publication in its newsletter please contact us at:**

**[news@uschinaha.org](mailto:news@uschinaha.org)**

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