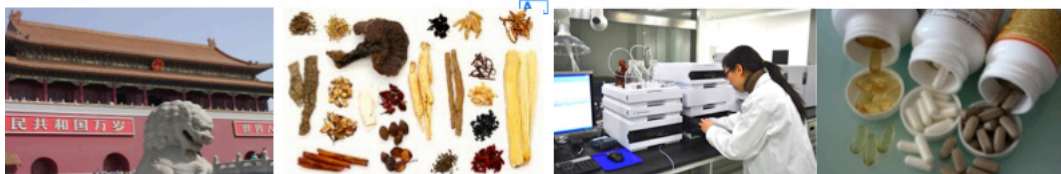


CHINA UPDATES

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



ISSUE 112
October 16, 2014

IN THIS ISSUE

Green Expo to Open in Harbin

Inner Mongolia Says No to Illegal Ads on Health Food

CFDA Shuts Down Companies with Food Additive Problem

Alibaba's Record IPO Brings New Investment Opportunities in China

Well-Established Health Product Companies Stand Out from Industry Integration

Chinese Shoppers Fuel US Retail Sales Online, On tour

GlaxoSmithKline Found Guilty of Bribery in China

Green Expo to Open in Harbin

The Heilongjiang Green Organic Food Expo is to open on September 26 at the Harbin Conference Center.

This year's expo will center on the theme of "green Heilongjiang, China's big granary". The expo will have 940 standard booths for international exhibitors. At the same time, there will be Heilongjiang green food industry seminar, 2014 grain trade cooperation forum, and seminar on agricultural cooperation and procurement. (Source: mofcom.gov)

Inner Mongolia Says No to Illegal Ads on Health Food

The local regulator of Inner Mongolia is taking administrative measures towards 82 types of health food and drugs that are promoting illegally.

The ad monitor system of local FDA shows that some local media are posting illegal ads of drugs and health food. These ads mostly exaggerate the function of the product, and some health food promise consumers that it can cure disease and fake comments from "medical experts" in the ads.

Related products have been asked to suspend from sales. (Source: Neimenggu Daily)

CFDA Shuts Down Companies with Food Additive Problem

CFDA recently reported 9 batches of products with additive problem. The substandard products are among 1,567 batches of products from 31 provinces nationwide.



Are you seeking a reliable partner to help you navigate and successfully enter the China dietary supplement market?

TSI has the **expertise** to help.

Contact your TSI representative today to learn more.



www.tsichina.com
www.tsiinc.com

The national regulator asked local authorities to strengthen inspection towards food regarding additive issue. Six companies were asked to suspend from operate after being found with substandard food. Four were punished administratively. Director of one company was detained by the local police.

The spot check shows that the issue of food additive has improved in recent years thanks to the regular inspection and check. But related companies should raise the awareness of legally using food additives. (Source: Xinhua)

Alibaba's Record IPO Brings New Investment Opportunities in China

Chinese e-commerce giant Alibaba Group's successful listing on the U.S. market will provide global investors fresh opportunities to share fruits of China's economic growth, analysts said.

Alibaba on Thursday set its initial public offering (IPO) price at 68 U.S. dollars per share and raised 21.8 billion dollars, making the largest ever IPO in U.S. history.

Even though the IPO price is at the ceiling of its expected range of between 66 dollars and 68 dollars disclosed earlier, some analysts think the pricing is still conservative.

Henry Guo, senior research analyst at JG Capital, thinks Alibaba should have priced higher at IPO. "Alibaba's fair price could be 95 dollars," Guo estimated.

After the IPO pricing, everyone is interested to know where Alibaba's stocks will begin to trade.

Kenneth Polcari, director of NYSE Floor Operations at O'Neil Securities Inc., said: "I would suspect it from anywhere from 10 or 15 percent move. That would be a substantial move for a deal that size. So 15 percent is about 9 or 10 dollars move."

Jack Liu, senior vice president at Chardan Capital Markets, a New York-based investment bank, said: "I think it will be a conservative estimate if Alibaba

So little.  So much.

Powerful Phospholipid EPA & DHA

Excellent User Experience

Smaller Dose, Easy Digestion



www.superbakrill.com

starts trading at 75 dollars per share."

Kevin O'Leary, chairman of O'Leary Funds, is also optimistic. "I don't know if it's going to trade to 100 dollars. That sounds a little frothy to me," he told the CNBC.

"Alibaba is the first choice for international investors to share fruits of China's development," said Guo. "The company's healthy fundamentals, rapid growth and profit margin have impressed investors."

Kenneth said that the market alone in China with some 1.3 billion population is huge and people will look at it almost as a proxy of the Chinese economy.

"If you believe in what's happening around the world, if you believe in the transition of the Chinese economy to more of a market economy, I think the potential in the future is very bright," Polcari told Xinhua.

O'Leary said they may sell off some of their holdings in other U.S. internet companies to make a full allocation on Alibaba.

Analysts are confident about Alibaba's growth prospect but remained cautious about potential risks.

"Alibaba has made broad investment in areas like entertainment and media to create an 'Alibaba ecosystem,' which will attract more customers. Moreover, Alibaba is also actively exploring international market," Guo said.



According to Liu, there is still a long way for China to catch up with the relatively mature U.S. market in terms of Internet penetration, the number of mobile users and Internet consumption.

Polcari said Alibaba is looking to expand into the Americas and Europe. If things go as it is expecting, certainly the potential is huge.

However, Polcari pointed out the difficulty for Alibaba to expand into territory that its U.S. rival Amazon.com already controls and to win faithful Amazon users to suddenly switch to Alibaba. "So I think it's going to be the competition for sure," Polcari said.

Guo warned of potential concerns after the company's IPO. For example, U.S. investors are not familiar with Alibaba's ownership structure, and there are still fake products on Taobao.com, China's largest consumer-to-consumer online trading site.

Alibaba, founded by Jack Ma in 1999, is one of the largest e-commerce titans in the world. It controls 80 percent of all online retail sales in China. (Source: Xinhua)

Well-Established Health Product Companies Stand Out from Industry Integration

Recent data show that some China's listed health

product companies are doing great financially in the first half this year.

Besunyen released its financial report of the first half this year, which shows that the company's profit increased by 24.7% on a yearly basis to 314 million yuan. The net profit reached 270 million yuan. Zhao Yihong, chairman of Besunyen, said that the e-commerce has helped a lot to promote the value of health industry and consumer product industry. To strengthen the company's presence online will be the major growth engine of the company.

According to related financial reports, By-products, Yun'an baiyao, and Guangzhou Baiyunshan all made progress in earning in the last six months. Xu Huafeng, vice chairman of China Health Committee said that thanks to the released Food Safety Law and related regulations on health food, the industry will grow better.

But in such a crucial time, companies need to build up their credibility and brand so that they can stand out from the competition, said Mr. Xu. (Source: People's Daily)



Chinese Shoppers Fuel US Retail Sales Online, On tour

The United States is the top overseas destination for Chinese shoppers and the first choice for a growing number of online shoppers who buy goods through the websites of foreign retailers, a report said on Thursday.

The report, published by the Economic Information Daily and global card solution provider Visa Inc, said 98.19 million Chinese people made overseas trips last year, making China the largest source of tourists in the world. Nearly 96 percent of these people traveled on private business.

Chinese tourists prefer to travel overseas on the strength of their higher income and want to take advantage of the lower taxes that accrue when shopping abroad, the report said.

"Travelers from second- and third-tier cities in China and those who went abroad for the first time have made a major contribution to overseas consumption," said Fan Zhiyong, co-author of the report and associate professor at the School of Economics, Renmin University of China.

According to Fan, Chinese tourists spent 128.6 billion yuan (\$20.9 billion) in overseas markets last year, eclipsing the previous high with a 24 percent jump year-on-year.

In addition, Chinese consumers spent \$1,368 per capita on average in 2013, which was three times higher than the consumption foreign travelers made in China, said the report.

Ralf Zhu, a representative of USItrip, a Los Angeles-based Chinese travel agency, said shopping has been the prime driver for Chinese travelers to visit the United States.

"More than 50 percent of the Chinese travelers to the US want their tour routes to include some well-known shopping destinations," he said.

Like many other shopping malls in the United States, Bloomingdale's at South Coast Plaza, Los Angeles, is planning to attract Chinese customers by offering them customized shopping experiences.

Werner Escher, executive director of domestic and international markets of South Coast Plaza, said: "Chinese visitors are eager to enjoy the fruits of their tour, and they love shopping."

Meanwhile, Chinese shoppers spent 3.1 trillion yuan through online shopping in 2013. American

retailers' websites were the most popular among Chinese online shoppers, while South Korean websites transactions were below average, said the report.

Factors including frequency of transactions and the money spent on each purchase have also been taken into account, it said.

Demand for luxury brands, a prime driver for overseas shopping earlier, saw a gradual tapering off, with more customers preferring to buy such goods from online platforms. (Source: China Daily)

GlaxoSmithKline Found Guilty of Bribery in China

GlaxoSmithKline PLC said a Chinese court found the drug maker's local subsidiary guilty of bribery and fined the company nearly \$500 million, capping a scandal that has shaken China's pharmaceutical industry.

Five of the company's managers, including Mark Reilly, its former top China executive, were convicted of bribery-related charges and received suspended prison sentences, a Glaxo spokesman said Friday.

Glaxo still might be fined in the U.S. and U.K., and it faces several continuing investigations around the world.

Chinese authorities began investigating the company in June 2013, laying bare a tale of intrigue involving a mysterious sex tape, whistleblowers, private investigators and a culture of bribery and graft in China's vast medical industry.

For foreign companies in China, it shows their vulnerabilities to inside informants and to an opaque justice system ultimately controlled by the Communist Party, adding risk to the promise of China's growth potential.

"The illegal activities of GSKCI [GSK China Investment Co.] are a clear breach of GSK's governance and compliance procedures; and are wholly contrary to the values and standards

expected from GSK employees," Glaxo said Friday.

The company added that it has cooperated fully with the authorities and has taken steps to rectify the issues identified at the operations of the unit. Glaxo issued a separate apology to the people of China in English and Chinese on Friday, saying, "GSK PLC sincerely apologizes to the Chinese patients, doctors and hospitals and to the Chinese government and the Chinese people."

Glaxo is the latest Western company punished in China's crackdown on corporate corruption. The ruling followed a one-day trial, and the penalty—close to £300 million (\$491.5 million)—is the largest-ever corporate fine in China, according to the official Chinese news agency Xinhua.

But the fine was smaller than many pharmaceutical analysts had expected. Investors sent the company's shares up about 1% in London trading.



More scrutiny for China's \$94 billion drug industry likely awaits, said James Zimmerman, the managing partner of the Beijing office of law firm Sheppard Mullin Richter & Hampton LLP. "This is just the beginning when it comes to enforcement," he said. "China will take a zero-tolerance approach to corruption allegations."

Separately, Xinhua reported Friday that Mr. Reilly

received a three-year prison sentence that was then suspended for four years, and that he would be expelled from China after the four-year suspended sentence.

The news agency said the court took into account that Glaxo's former China chief had voluntarily returned to China, assisted with the investigation and confessed. He couldn't be reached for comment.

Four other Glaxo managers in China received similar suspended sentences, a Glaxo spokesman said. Some legal experts said they feared the suspended sentencing for Glaxo employees doesn't send a strong enough signal to the pharmaceutical industry, which has been rife with corruption in China. "The case is quite influential, and senior executives should have gotten substantive punishment rather than suspension," said lawyer Yue Shenshan. "It doesn't set a good example for future, similar cases."

The Wall Street Journal reported in June 2013 that Glaxo was investigating allegations from an anonymous tipster that its sales staff engaged in widespread bribery to sell drugs between 2004 and 2010. Documents reviewed by the Journal showed Glaxo employees often treated doctors and others to trips and paid their expenses. The company said an internal probe found no evidence of corruption or bribery.

A month later, Chinese investigators accused the company of bribing government officials, hospitals and doctors to sell more drugs at higher prices. Glaxo said some of its employees might have violated the law and said it would cooperate. Mr. Reilly returned to China from the U.K. to assist officials with the investigation, the company said.

Mr. Reilly was already reviewing allegations by a tipster that the company was engaged in bribery.



GMP Services
注册服务

To learn more about NSF cGMP Services, [click here](#)
Experts in auditing, consulting, training and testing

欲了解更多服务信息请点击
审核、咨询、培训和测试专家团队

According to a private investigator's report reviewed by the Journal, Glaxo executives dealing with those allegations had also received a sex video involving Mr. Reilly and a woman. It isn't clear who took the video.

Mr. Reilly, who considered the video a security breach, in April 2013 hired Shanghai-based investigator Peter Humphrey, a British national, and his naturalized American wife, Yu Yingzeng, to probe the matter, according to Glaxo and the documents.

In an email to his colleagues reviewed by the Journal, Mr. Humphrey said he had been unaware of the specifics of the bribery allegations.

In July 2013, just as Chinese officials were first detailing their accusations against Glaxo, Mr. Humphrey and Ms. Yu were taken into custody by Chinese law enforcement. Last month, the couple was convicted of illegally purchasing information about Chinese citizens.

The case raised questions about the limits of due diligence and other efforts to collect information in China, a market where industry data and corporate and executive backgrounds can be hard to come by.

Although Mr. Reilly stepped down from his position as head of Glaxo's China business shortly after authorities launched their investigation, he remained a Glaxo employee. The company didn't comment on his sentence Friday.

Chinese authorities in May accused Mr. Reilly of ordering his subordinates, his sales team and other employees to bribe hospital doctors, health-care organizations and other parties on "a large scale" to boost Glaxo's drug sales in China. That helped Glaxo reap billions of yuan in additional revenue between 2009 and 2012, they said.

"Reaching a conclusion in the investigation of our Chinese business is important, but this has been a deeply disappointing matter for GSK. We have and will continue to learn from this," Glaxo Chief Executive Andrew Witty said in a statement Friday.

The company reiterated that it remains "fully committed" to China. The country makes up less than 5% of group sales, but before the investigation started was an important and fast-growing market for the drug maker.

Still, the fine and convictions will increase pressure on Mr. Witty, whose six-year tenure as CEO has been marked by a move to expand the company further into emerging markets.

Some investors interviewed by The Wall Street Journal have started to question Mr. Witty's performance, wondering whether the China issues might represent a systemic problem for Glaxo, as well as expressing concern over the company's recent weak U.S. sales and slow new drug launches.

Separately, Glaxo has been investigating claims that its employees bribed doctors in Iraq, Jordan, Lebanon and Syria.

Glaxo said the Chinese fine would be funded out of existing cash resources, and the charge would be included in its third-quarter update. While the total fine is large, it is dwarfed by Glaxo's annual free cash flow of some £4 billion.

One uncertainty for Glaxo now will be whether it will face further fines in the U.S. or U.K. The U.K.'s Serious Fraud Office opened a criminal investigation into the commercial practices of Glaxo in May.

The U.S. Securities and Exchange Commission and the Justice Department are investigating the company, according to people familiar with the matter.

Friday's sentences and fine come amid what business groups say is an increasingly chilly environment for foreign companies in China.

(Source:WSJ)

China International Nutrition and Health Summit 2014 2014中国国际营养与健康产业峰会



Organizer 主办方:

U.S.- China Health
Products Association
美中健康产品协会

CCPIT CHEM
中国对外贸易促进委员会
化工行业分会

Date: November 3rd and 4th, 2014
Location: Beijing, China
Venue: Renaissance Beijing Capital Hotel

2014年11月3日- 4日
中国北京
北京市朝阳区富力万丽国际酒店



China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and the nutritional / functional ingredients. The association's major focus is the continued development of China's dietary supplement and nutritional ingredient industry as well as offering business services to global companies wishing to enter the China Market

If you want to learn more about the association and how it can help your business, contact

us at: info@uschinahpa.org

If have China related news that you would like to share with the association for publication

contact us at: news@uschinahpa.org