

# CHINA UPDATES

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## **CFDA Updates Regulation to Punish Illegal Food and Drug Makers**

CFDA released a document recently to set up an effective and coordinated system to punish illegal food and drug producers.

The document was drafted since last July, based on researches on existing problems of administrative punishment by the local food and drug regulators. The final version was approved by CFDA three months ago.

This document is an updated version of the previous one on the administrative punishment procedure of drug inspection. It now covers more than drug but also food, health food, cosmetics and medical equipment.

It specifies the investigation procedure on illegal food and drug cases, which is now required to be finished before a certain deadline. It aims to address the problem that many of the related cases are investigated for too long or without a clear result before closing.

The investigation methods and punishment can vary based on different situations in the different areas, considering the development gap among different parts in China.

The new document also adjusts punishment measures so that it can be well-suited to related criminal laws, especially when evidence are transferred from food and drug regulators to local legal authorities. (Source: CFDA)



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## Authorities in Northwest China Coordinate Efforts in Food and Drug Issue

Food and drug regulators in the northwest part of China held the first regional meeting in Xi'an, discussing the plans of five provinces in this area on food and drug inspection.

The five provinces include Shanxi, Gansu, Ningxia, Qinghai and Xinjiang. The meeting starts a formal working system to coordinate efforts among inspectors in this area in food and drug regulations.

According to the agreement signed by officials from the five provinces, the local regulators will have an annual meeting to wrap up their work reports of related issues. Major problems including counterfeit food and drug will be discussed in this meeting.

The officials will also exchange their experience in cracking down illegal cases, addressing emergencies and improve food safety situation and so on. (Source: China Food News)

## Shanghai Regulator Exposed Illegal Promotion

Shanghai Commerce and Industry Bureau released a blacklist of companies that conducted illegal promotion online.

The list was released in the official Sina Corp's Weibo platform of the Bureau. Twelve cases were exposed from ten websites, including major sites like Guomei and Tmall.

The cases include health food, regular food and cosmetics. The illegal promotions include exaggeration of related products' function, mixing medical terms in the promotion to mislead consumers, promoting health food as drug and promoting cosmetics as drugs as well.

Local legal authority has launched investigation on illegal cases. (Source: Xinhua)

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## CBME to Open in Shanghai

CMBE, the expo on children baby maternity products, is to open next month in Shanghai. The organizer said the expo would tighten control over the company's entry, which aims to avoid illegal or substandard companies to join the expo.

The expo this year has attracted many well-established dairy product companies from China and overseas.

The organizers said they would conduct several steps of approval and checking towards the quality of dairy products produced of the applicants, before giving it a pass to the expo.

The expo will also hold seminars to help companies understand the national policies in China on infant milk powder. It aims to build a safety net for consumers and resume their confidence towards the dairy industry. (Source: Gucheng.com)

## CFDA Updates Catalogue of Cosmetics Ingredient

The state food and drug regulator updated the draft of cosmetic ingredient catalogue, after seeking for suggestions earlier this year.

CFDA said it received 208 suggestions from the public, involving 5,294 ingredients. In March, the

provincial-level regulators gathered 27 suggestions covering 5,634 ingredients.

The new draft involves over 8,203 used cosmetics ingredients and 3,382 ingredients that are not included so far.

The catalogue is a collection of used ingredients, including those restricted substances, preservative, sun screener, and colorant.

There are mainly five reasons that exclude the ingredients from the catalogue so far: 1) Lack of certificate or document of "filing certificate of domestic non-special use cosmetics"; 2) the specific name of the ingredient is uncertain, wrong or unclear; 3) The ingredient bears potential risk 4) might go against related national policies on ingredient, including using endangered species as a major source of the ingredient. 4) Additional material is required to clear the potential risk of the ingredient

The catalogue is used as a reference to judge if this cosmetic ingredient is new, instead of a list of cosmetic ingredients that are allowed to use in China.

Cosmetics companies should conduct risk assessment on the ingredient before using it. The company should bear the responsibility of quality safety of the cosmetics. (Source: CFDA)

## Factors of Various Hues Take Gloss Out of Mall Cosmetics

The growth of cosmetics sales in Chinese shopping malls hit their lowest level in six years, partly due to the central government's anti-corruption drive and the rise in direct overseas purchases, a market research report said.

Retail sales of cosmetics in shopping malls saw year-on-year growth of 10.1 percent in 2013, lower than the 13.2 percent recorded in 2012, and the lowest growth pace since 2008, according to the Beijing-based China National Commercial Information Center, an information service for commercial businesses.

Shop floor sales assistants agreed. "It is hard to make a deal now," said Zoe Wang, a beauty adviser for SK-II who works at a large shopping mall in downtown Shanghai's Huaihai Road.

"More people come to ask for prices and to try out products, but few actually come to buy," she added.

A skin-care set that was priced at 3,200 yuan (\$510), was now being offered at a discount, Wang said. In addition, a number of good-sized samples would be offered to make the price more attractive.

"We seldom did this kind of promotion before, but now it is different," she said.

But the discounts and gifts and gifts don't seem to bring in more sales.

"I travel overseas at least two times a year," said Rebecca Rui, 31, an employee at an overseas property agency. "The prices of cosmetics are lower abroad. I can also ask my friends to buy some for me when they travel overseas. I haven't been shopping for a long time in Shanghai."

Wang Yao, director of CNCIC, said that as the central government forges ahead with the anti-corruption campaign, buying cosmetics as gifts is becoming more rare even as sales of skin-care products have continued to grow in recent years.

More people are buying cosmetics overseas to avoid import tariffs, he said.

But analysts said the shrinking shopping mall sales are related more to rising online sales and the expansion of other channels.

"I do not think political reasons are the major factor affecting the cosmetic industry," said Ma Shuai, a researcher with China Market Monitor, a market intelligence firm based in Beijing. "In fact, online sales of cosmetics have been going up in recent years. Door-to-door sales of companies such as Amway and beauty stores like Sephora are nibbling away at market share for traditional shopping malls.



"The cosmetics industry will keep sustainable growth in coming years," he predicted, "but with fiercer competition among the various sales channels."

Gross retail sales of skin-care and makeup products reached 174 billion yuan in 2013, according to CMM. Shopping malls remain the biggest sales channel and occupied 34.9 percent of the total sales. Sales revenue for e-commerce platforms, beauty stores, supermarkets and door-to-door selling accounted for 25 percent, 12.8 percent, 17.8 percent and 7.5 percent, respectively.

As for specific cosmetic brands, foreign brands are still the mainstream in China's cosmetics market, with the top three belonging to L'Oréal, Olay and Mary Kay, which collectively make up 12.45 percent of retail sales, according to information provider Companies and Markets.

As disposable incomes continue to rise, more sales growth is expected to happen in lower-tier cities, Ma said. (Source: China Daily)

### Online Shopping Boom Set to Stay

Chinese consumers are increasingly dependent on online shopping, and they shop online in their spare time, during working hours, on public transportation and in the office, according to a latest report released on Tuesday by Nielsen, a global information and measurement company.

All latest trends indicate a bright future for China's e-commerce market, particularly mobile commerce, thanks to the high penetration of smartphones

among Chinese consumers today, Tao Libao, vice president of E-commerce Solution at Nielsen China, said in a press release.

The number of online shoppers reached 302 million in China in 2013, and the total online sales of 1.85 trillion yuan (\$300 billion) accounted for 7.9 percent of China's overall retail sales, a 29.5 percent increase from 2012, official data showed.

By the end of 2013, Internet penetration rate reached 45.5 percent in China, with a total of 618 million users.

Among those, 500 million log on via their mobile phones, according to China Internet Network Information Center.

Desktop computers and laptops are still the most frequently used devices for shoppers to shop online, Nielsen said in the report.

Meanwhile, mobile shopping via mobile phones and tablets is gaining momentum, with 53 percent and 36 percent of respondents also choosing to use these devices to shop online.

Around 80 percent of mobile shopping consumers say they will use their mobile phones to search product information before purchase, according to Nielsen.

However, compared with overall online shopping scale, mobile shopping consumers, for now, still account for a relatively smaller percentage of all online consumers.

For a few categories such as clothes, accessories as well as cosmetics and personal care products, more than 40 percent of the total online shoppers surveyed have purchased through mobile devices including smartphones and tablets.

"Given the over 70 percent penetration of smartphones among Chinese consumers today, even including lower tier cities, mobile commerce is expected to be further unlocked in the next few years," Tao said.

The report also said that majority of Chinese online shoppers prefer to check product information before shopping.

Search engines, professional websites of specific category and social networks are top three channels for online shoppers to check out the product information or user reviews of the specific products.

In Nielsen's survey, nine out of 10 respondents said they would be willing to try self-pickup service.

The report is based on an online survey of a total of 4,500 respondents aged over 18 from 14 major first- and second-tier cities in China.

All of respondents have shopped online for more than three times over the past 6 months and they completed the whole shopping process by themselves. (Source: Global Times)

## China Ends Animal Testing Rule for Some Cosmetics

China has removed a controversial animal test requirement for some types of cosmetics, a move praised by animal rights advocates who hope it signals an end to a practice widely scorned elsewhere.

Starting Monday, the China Food and Drug Administration will stop requiring animal tests on so-called ordinary cosmetics, including shampoos and certain skin-care products. Instead, manufacturers can opt for alternative methods using existing data on ingredient toxicology or tissue culture when they conduct risk assessments.

The new rule does not apply to imported products or any special-use products, including hair dyes and sunblocks. While some industry specialists have cautioned against interpreting this policy shift to mean any big changes in practice in the short term,

animal welfare advocates were quick to welcome the development.

On Sunday, more than 50 members of an international anti-animal testing movement celebrated on the streets of Dalian, a coastal city in Liaoning Province in northeastern China. Wearing bunny ears, the campaigners carried 100 cardboard cut-outs of rabbits, the animal most used in cosmetics testing, at the city's iconic Xinghai Plaza and invited members of the public to pose for photos with them.

"It's a significant departure," said Troy Seidle, director of research and toxicology for the Humane Society International, one of the nongovernmental organizations behind the Be Cruelty-Free campaign in China and co-organizer of the Dalian event. "Certainly it's the first time we've seen an animal test requirement being removed from Chinese regulations for cosmetics," he added.

As many as 300,000 rabbits, guinea pigs, mice and other animals are used to test cosmetics in China every year, according to the Humane Society International.

China began requiring safety supervision of cosmetics in 1990, when it required that all special-use products be tested on animals for skin and eye irritation before they could be placed on the market.

In February 2012, the China Food and Drug Administration extended mandatory animal testing to the ordinary products, effectively shutting a multibillion-dollar market to international manufacturers like The Body Shop and Lush cosmetics, both based in Britain, which were committed to nonanimal testing methods.

China has a fast-growing market in cosmetics, importing nearly \$1.7 billion last year, up 10.7



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percent from the year before.

Following the 2012 regulatory change, some foreign companies, like Avon and Estée Lauder, loosened their no-animal testing policy in order to continue to sell in China.

Estée Lauder said it was simply heeding a foreign law by paying for animal tests on their products in a government-mandated laboratory in China, but critics assailed the company's practice.

"For decades Estée Lauder enjoyed the support of consumers who believed the company's ban on animal tests was permanent," Kathy Guillermo, senior vice president at People for Ethical Treatment of Animals, an advocacy group, said in an email. "When the company quietly resumed its support for animal tests, it did not bother to inform those consumers."

Despite the attention and raised expectations among animal rights groups, the celebration in Dalian was accompanied by an understanding that China is still a long way from ending animal tests.

"The regulation was written with certain caveats (i.e. other technologies need to be available, etc.)," Erin H. Hill, vice president for program development at the Institute for In Vitro Sciences, wrote in an email. "Since many of these have not been met, it is likely that the C.F.D.A. will continue to conduct their post-market surveillance as they have in the past."

In its 2013 announcement of the changes, the national drug safety regulator required provincial food and drug regulators to run sample testing on new products after the manufacturer has filed its toxicology statement. Lack of the know-how and the right materials for in vitro testing procedures using tissues rather than live animals means some manufacturers will most likely fall back to animal testing.

"You can change the policy but whether the day-to-day testing practice is going to change is still anyone's guess," said Mr. Seidle. "It is going to be very slow-go for the time being," and "we can't



expect China to get there overnight. It's just not reasonable." (Source: New York Times – [Huang Shaojie](#))

### China to Amend Food Safety Law

Chinese lawmakers have started revising China's food safety law, pledging tougher rules for safety, supervision, and sanctions.

The draft revision to the food safety law is expected to be the strictest ever regulation on food safety.

Zhang Yong, Director of the China Food and Drug Administration, says the country will impose the harshest penalties on offenders and supervisors.

"The law will set up the strictest legal liability system. For offenders who add poisonous and deleterious substances in the food, the authorities can remove their licenses and impose fines up to 30 times of the value of their products. For officials who are dismissed for issuing fake evaluation reports, they could be banned from food safety supervision posts for life."

Under the current law, offenders can face fines up to 10 times of the value of their products.

Meanwhile, the amendment also singles out food and drug administrations as the sole supervision body for food production, transportation, and catering.

Zhu Yi, an associate professor from China

Agricultural University, says the change will provide legal basis for more effective supervision.

"Previously, if a tomato is sold on the vegetable market, it falls under the jurisdiction of the agricultural department. When it is sold in the supermarket, it is under the industry and commerce department. When the tomato is processed into tomato sauce, it falls under the supervision of the quality inspection department. When it is served in the restaurant, the food and drug administration will be responsible for supervision. Now, under the amendment, the food and drug administration will be responsible for all processes. It can help to plug loopholes in the supervision system."

Apart from specifying the supervision body, the revision makes food manufacturers the primary sector responsible for food safety when it comes to establishing liability for a problem.

The amendment also includes regulations on food products sold over the internet.

The current food safety law was put into effect since 2009 after melamine was found in infant formula.

The draft revision has been submitted to the bi-monthly session of the Standing Committee of the National People's Congress, which runs through June 27.

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

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