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## **CFDA: Don't Eat Wild Animals**

China's state food and drug regulator said on its official website that the consumers should buy the normal food and ingredient, while "stay away from the wild animals".

CFDA said it requested the local authorities to strengthen regulation on food and clear any potential risk in food safety. Any illegal cases regarding food should be punished severely.

The state regulator also reminds the consumers to fend off food safety problems and consume food scientifically.

The local regulators are also asked to release food related information regularly on official websites. The masses can also report illegal cases by calling the hotlines of local food and drug regulation bureaus. (Source: China News Site)

## **Internet Firms Vie For Clients With Chinese New Year cash bonanza**

China's Internet giants are using virtual hongbao (red envelopes filled with money) in the run up to the Spring Festival in a move to entice more users to the country's booming mobile payment market, analysts said Wednesday.

Alibaba Group's payment arm sent 57 million yuan (\$9.12 million) in cash Wednesday through Alipay Wallet, a mobile payment app. It plans to give away hongbao filled with cash and coupons worth more than 600 million yuan starting Wednesday until February 19 - the first day of the Chinese New Year.



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"No one wants to miss the chance to attract more users during China's most important festival, and hongbao have become another method for Internet giants to pour money into, following taxi-hailing apps," Lin Wenbin, an analyst with IT consultancy Analysys International, told the Global Times.

Giving away hongbao to family members and friends has been a Spring Festival tradition for generations in China.

Alipay's move Wednesday attracted millions of Chinese smartphone users to join its "red envelope grabbing" game. Users who logged into its app at certain times of the day could try to grab a hongbao released by the company.

According to Alipay data, 2.1 million users grabbed the envelopes containing cash or coupons on Wednesday morning. Some posted details of their earnings on the Internet, which ranged from 1 to 5 yuan in cash to coupons for taxi-hailing services and overseas tourism.

But more people complained on social media that they got nothing.

"The game is not easy to play, and it is so disappointing that I grabbed nothing, but I'll keep trying," Chen Juan, a 30-year-old white collar worker in Beijing, told the Global Times Wednesday.

Other Internet companies including Tencent Holdings, Weibo Corp and Baidu Inc launched their own hongbao promotions, either using their own money to send out cash and coupons to users or allowing people to send hongbao to each other.

Tencent announced Monday that it will partner with retailers to send out more than 500 million yuan in cash, with the largest single prize of 4,999 yuan and more than 3 billion yuan in coupons through its social networking app WeChat starting from Thursday.

Weibo, in which Alibaba has a stake, launched a 1-billion yuan red envelope campaign in partnership

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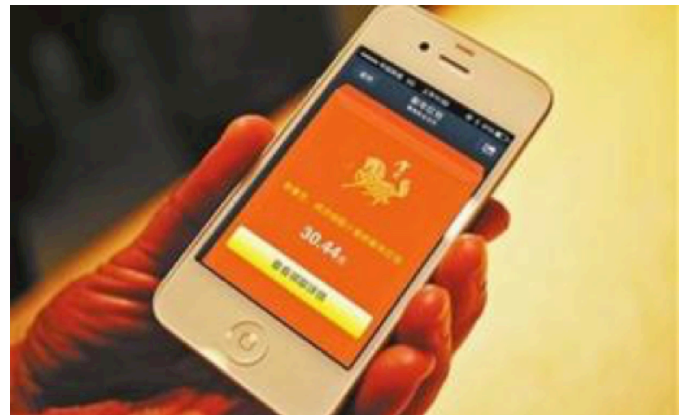
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with Alipay on February 2, allowing celebrities, popular microbloggers and enterprise users to send red envelopes with cash and coupons to other users.

While the handouts may seem generous, the virtual offerings are part of the Internet giants' strategy to increase their presence in China's growing mobile payment market, analysts said.

In 2014, Tencent's WeChat launched the red envelope feature several days later than Alipay, but was the biggest hit thanks to its strong social networking function that allows users to send red envelopes to friends and family. More than 8 million users participated in WeChat's red envelope spree during the 2014 Spring Festival holidays.



"Launching the red envelope feature is an effective

way of encouraging users to bind their bank cards to payment apps," Ding Daoshi, managing editor of IT website sootoo.com, told the Global Times. To get the money they "won" from social media platforms, smartphone users have to install a payment app and enter their ID and bank information.

Alipay, similar to eBay's Paypal, has long dominated China's online payment market through its e-commerce platforms Taobao and Tmall.

According to data from consulting firm iResearch, Alipay accounted for 82.6 percent of China's third-party mobile payment market by the end of September 2014, followed by Tencent's payment tool Tenpay, which had a 10 percent market share.

Before WeChat launched its red envelope feature, Tenpay only accounted for 4.2 percent of the mobile payment market by the end of September 2013, ranking No.3 after Alipay and Lakala, an independent mobile payment app, the iResearch data showed.

"Alipay has already felt the threat from WeChat's mobile payment tool, which has quickly grown into the second-largest in the mobile payment market, so it has put more effort into the red envelope feature this year," Ding said.

The total transaction volume in China's third-party mobile payment market reached 7.77 trillion yuan in 2014, surging nearly 500 percent from a year ago, according to data released by Analysys International in January.

But some still worry about the potential risk. "I don't want to take the risk of disclosing my bank card information to these Internet companies just to get a few yuan," said Zhao Na, a 32-year-old resident in Beijing.

With major Internet firms' participation, Lin also expects the Spring Festival to become another important marketing campaign like the so-called Singles' Day, which falls on November 11 every year

and which has become the biggest online shopping day in China.

"Besides sending cash, Alibaba, Tencent and Weibo have also teamed up with retailers to send coupons, making the hongbao tradition more commercialized," he said. (Source: Global Times)

## CFDA Exposed More Illegal Online Pharmacies

China's state food and drug regulator exposed nine sites that are selling illegal drugs or releasing exaggerated information of drugs right before the Chinese New Year.



According to statistics, CFDA has exposed 122 illegal online pharmacies so far, but problems including overseas purchasing and faking research institutions still cannot be rooted out.

The products that are found to be illegal are mostly drugs that claim to boost sexual performance and pills that claim to "save life" and "extend lifespan". These products usually claim to be research result of some prominent institutions including Tsinghua University and China TCM Academy.

Overseas purchasing is another big source of illegal products. Taking a product named Iressa as an example. It is a drug that targets at lung cancer. This drug has been blacklisted every year since 2011 by CFDA.

By May, 2014, 184 online pharmacies have obtained



licensing from regulators. However, there are much more pharmacies operating online in reality, which has brought difficulties to the regulator's monitoring and implementation of industry policies.

“Many illegal sites even have no contact address or directors,” said Zhang Yong, director of China Medicine E-commerce Research Center. “Many just pay to get ahead in search results, and their servers are based in foreign countries so it is hard for local regulators to shut them down for good.”(Source: China Economic Net)

### CFDA To Update Food Spot Check Result

CFDA released spot check result of grain and other food products recently in its official websites. It can be found that the information includes those of standard products and substandard products.

It is said that since 2015, the CFDA will start to release information of substandard products spotted in its inspections, which is in efforts to comprehensively reflect the spot check result and guide scientific consumption.



The statistics of this inspection show that among the 46,140 batches inspected this time, over 95%

products are found to be standard. The products inspected include 18 kinds of different products include beverage, candies, meat products, seasonings and bakery. (Source: China Economic Net)

### Finer Chinese Tastes Light Up Cigar Craze

Cigars have never been foreign to Chinese.

Decades ago, Chairman Mao appeared in pictures smoking cigars. But it's in recent years that such luxury items - the consumption tax imposed on cigars is about 25 percent - have attracted new fans among the rich and the rising middle class.

It's easy to find a cigar store inside the five-star hotels of Beijing, Shanghai and Hong Kong, where many showcase premium smokes from Cuba, the Dominican Republic and elsewhere. But until about 10 years ago, dealers say, most cigars sold in China were purchased by foreigners. Americans, who still cannot buy Cuban cigars at home because of the decades-old political embargo, have been particularly attracted.

Peter Tang, 55, who owns several restaurants in Beijing, recalls that when he had his first Cuban cigar in Hong Kong in 1985, it was very difficult to find cigar stores in China and few Chinese smoked cigars then.

Tang says many years ago, when he went to Kunming in Yunnan province, he was the only one who smoked cigars while his friends there favored cigarettes. One year later, when he went back, almost all of them were puffing cigars.

"After I have a good dinner - or when I want to read books quietly - having a cigar is perfect," says Tang.



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Many of his friends fly more than 20 hours to Cuba only to take part in the annual Havana Cigar Festival.

In a cigar store on the ground floor of the Peninsula Beijing, a middle-aged man is buying cigars while two young men are waiting nearby to try various types.

Chen Xiaodong, VIP client manager at the Ligero Pipe & Cigar House, says local buyers now account for half the market.

"Cigars are a sign of a good lifestyle, and Cuban cigars are of the best quality among all cigars," says Chen. With the rising popularity of Cuban cigar culture in China, Ligero has invited a Cuban cigar maker to Beijing to hand-roll tobacco in the store.

According to the economic section of the Cuban embassy in Beijing, 285,000 Cuban cigars were shipped to China in 2013.



Habanos S.A., the arm of the Cuban state tobacco company, proclaimed an 8 percent jump of its global sales in 2013 due to strong demand from the Chinese market, even while the world still faces both economic crises and antismoking campaigns.

Before 2012, the number of cigars allowed to be imported was 800,000 - a quota that changed to 1.3 million in 2013.

Chen, the cigar salesman, says many rich Chinese turn to cigars because they believe they are healthier than cigarettes, though health experts have different views on that.

He adds that cigars have become more popular as gifts in China as the country's large-scale anti-corruption campaigns have greatly squeezed the market for expensive wines and watches. A very fine cigar is not as expensive as more traditional luxury gifts, Chen says.

The potential cigar market has stimulated Chinese cigar producers, too. South China's Hainan province has introduced Cuban tobaccos to one of its counties. The 200-hectare tobacco planting base in Danzhou, for example, generated revenue of 74.84 million yuan (\$12.07 million) in 2013.

However, Peter Tang, who has smoked Cuban cigars for 30 years, says he doesn't buy any cigars produced in China.

"We can plant tobaccos, but we can't produce the cigar culture like Cuba has spread across the world," he says. (Source: China Daily)

### Japan's Largest Beauty Site Entered China

Japanese beauty website @cosme has entered China as its operator istyle announced the number of products sold on the website will hit 1,000 in the next half a year and the most important is that the product price will be the same as that in Japan.

Founded in 1999, @cosme is Japan's largest cosmetic beauty review site.



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Retail sales of China's cosmetics reached CNY 333.86 billion in China in 2014, including CNY 76.7 billion of imported commodities, growing 58.8% over a year earlier.

"China's cosmetics market size is huge, the e-commerce market is also huge and the cross-border e-commerce has grown rapidly", said @cosme General Manager for China Tadashi Yoshida, adding 5% of the site's users are from China currently and the figure is growing and "we expect the cross-border e-commerce for China's cosmetics will grow greatly in the future." (Source: Sinocast)



## Living In the Lap of Luxury

The luxury malls of Beijing are enticing and warm, with carpets so plush they yield underfoot and shop assistants as exquisite as the items on sale. Some shops do not display prices at all, others display merchandise behind locked glass doors, and assistants wear gloves when presenting goods to potential buyers.

The hushed atmosphere and glossy interiors of Shin Kong Place, the Yintai Center and the Peninsula Arcade are a world away from the fast food and frenetic activity of the capital's mass-market malls.

The likes of Chanel, Hermes and Prada woo consumers with craftsmanship, exclusivity and indulgence. But on a February weekend, during

one of China's busiest shopping periods of the year, Beijing's beautiful high-end stores appear bereft of customers.

The Chinese are not out of love with luxury, far from it. The 2014 China Luxury Report, from the Shanghai-based research center Fortune Character Institute, says total overseas luxury purchases by Chinese consumers rose 9 percent to \$81 billion (71 billion euros) and that luxury purchases in the domestic market fell 11 percent to \$25 billion.

A separate report, from the consultancy firm Bain & Company, says 55 percent of Chinese luxury goods spending was made by consumers during overseas trips and that another 15 percent was made through friends, relatives or professional agents known as daigou. An earlier Bain report, from October, says Chinese consumers account for 29 percent of global luxury spending. The global luxury market is worth \$250 billion, the report says.

"We do buy things in China," says Gu Feng, a 29-year-old book editor who lives and works in Beijing. "We go abroad more for luxury brands. Luxuries are more expensive here. I am more of a Taobao type," she adds, referring to China's online shopping behemoth run by the Alibaba Group.

On a business trip to London between November and January, Gu bought gifts for friends and relatives, including a \$650 Burberry handbag and fragrances from Chanel and Estee Lauder. "The most expensive purchase is definitely the Burberry handbag. It is for a close friend."

After failing to find the item Piccadilly Circus in London, Gu headed to the Burberry outlet store at Bicester Village, Oxfordshire. "You might expect, for a bag with such a high price, you could get it easily – not much competition, not so many people can afford it, right? But the reality is just the opposite."

Luxury items cost more in China than they do overseas, but there is no such thing as a luxury tax. Additional taxes – consumption, import and value added – can sometimes increase the price of an item in China so much that it is cheaper to buy a plane ticket and buy the same item abroad.

Small wonder, then, that Gu says her friend was very happy with the Burberry handbag, "mostly because it saved her a fortune".



The numbers swirling around China's luxury sector vary from report to report: Bain has the domestic market contraction at a modest 1 percent rather than Fortune Character's dramatic 11 percent. Nonetheless the two reports reaffirm China's status as a continued source of income for luxury brands, despite an anti-corruption and anti-extravagance drive that has weakened sales of pricey items on the mainland and created a climate hostile to conspicuous consumption and spending.

Analysts at Bain have been studying China's luxury market for seven years. Bruno Lannes, one of its partners, says: "It is all about price. The Chinese are very well informed. They know where the cheapest price is to buy any of these luxury brands."

South Korea and Hong Kong particularly appeal to the Chinese traveler because of their proximity, favorable tax initiatives, competitive exchange rates and cultural familiarity. Chinese visitors to South Korea rose 40 percent in the first 11 months

of 2014 to 5.7 million – a 43.5 percent share of arrivals. Hana Daetoo Securities reported in August that Chinese tourists spent just under \$6 billion in South Korea in 2013, accounting for 1.9 per cent of total domestic retail spending. The Seoul-based company expects the amount to rise to \$29.8 billion in 2020, making up 7.7 percent of the national total.

Other duty free operators are taking a keen interest in the surging "Peking pound". Dubai Duty Free employs 398 Chinese nationals and will employ another 211 this year. A total of 1.35 million Chinese travelers used Dubai International Airport during 2014, representing growth of 9.7 percent from 2013. Chinese passengers comprised around 4 percent of total traffic, while their spending accounted for around \$230 million, or 12 percent of total sales. According to Dubai Duty Free, the most popular brands with Chinese shoppers in 2014 were Longines, Chanel, Estee Lauder, Omega and Lancome.

China spent \$129 billion on international travel in 2014, says the United Nations World Tourism Organization. A happy coincidence of rising disposable incomes, fewer restrictions on foreign tourism and a currency that has appreciated means Chinese are traveling more and, consequently, spending more than they did 10 years ago.

In the West End of London, Chinese visitors account for more than 20 percent of all tourist spending. "There has been a phenomenal uplift," says Jace Tyrrell, deputy chief executive of New West End Company, which represents 600 businesses in the area. "In 2014, Chinese shoppers accounted for over a quarter of tax-free sales on Bond Street, with visitor numbers from China increasing by 79 percent over the last four years and expenditure rising from 184 million pounds (\$284 million; 249 million euros) to 492 million pounds."

Tyrrell puts the popularity of the area down to its cluster of luxury labels already known to the



Chinese shopper as well as British heritage brands – such as Asprey and Smythson – that are harder to find in China.

The strength of the relationship between luxury brands and Chinese shoppers is most visible during Chinese New Year (also known as Spring Festival) and Golden Week in October, the weeklong Chinese public holiday around National Day, he says. Bond Street brands have window displays, promotions, limited edition and specially designed products to celebrate Spring Festival.

"Mulberry has the limited edition 'Cara' handbag to represent the Year of the Ram, with eight bags available at the Bond Street flagship," says Tyrrell. He also mentions that big brands do their utmost to make the Chinese customer feel at home, employing Mandarin-speaking staff, offering Chinese tea and training employees in credit card etiquette.

The investment pays off. In February 2014, Chinese sales on Bond Street accounted for 27 percent of the total tax-free spending with an average transaction value of 1,500 pounds. What luxury stores in London offer, says Tyrrell, is a "unique, bespoke experience".

It is not just overseas retailers that are snapping at the heels of China's high-end boutiques, it is overseas e-tailers too. New York-based Gilt sells heavily discounted designer items over a

restricted period. Marshall Porter, senior vice-president and general manager of international at the US firm, says: "We've had the Chinese-language site for almost six months. The navigation is in Chinese and so is the checkout. We're trying to create a site that is seamless for the cross-border Chinese shopper."

Porter describes Gilt's Chinese customer as a savvy female who is luxury-oriented, aged 25 to 40. "Brands that are popular with Chinese customers are contemporary luxury ones – Swarovski, Kate Spade – but we sold a Hermes Birkin bag to a Chinese customer for \$19,000. Price and authenticity convinces Chinese people to shop on overseas sites. There is clearly a trend in that direction – knowing they can get these products at lower prices and products that are assured." Some Chinese on and offline retailers have a reputation for selling counterfeit items, he says. (Source: China Daily)

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 nutritional ingredients. The association's major focus is the continued development of China's overall natural health product industry as well as offer business services to its global members.

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