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CFDA Tightens Control Over Health Food Testing Rights

A list that covers 40 Chinese health companies is recently widely re-tweeted in the local industry. The list was released earlier this month by the national food and drug regulator about key food companies to be spot tested by the national regulators.

The list covers 1452 companies, including 40 health food and nutrition food companies.

This is a spot check list of key food companies released by CFDA for the first time.

Among the 40 companies, big brands like Beijing Tongrentang and By-Health are also included. These companies are all established companies instead of smaller firms.

A director with China Health Association said that China so far has over 2500 health companies with over 5000 kinds of health products. Among all these many companies, singling out 40 companies to be spot checked specifically has never happened before.

The national regulators said that this kind of spot check targets at big companies with larger market shares than others. (Source: Xinhua)

Amazon China Strengthen Cross-border Health Business

Thanks to the rise of sports events in China, the China branch of Amazon step up efforts in exploring health product market in



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the country, officially launching international sports nutrition store.

Based on the company's global resources, sales of overseas health products on Amazon China can be delivered within three days on average.

Shi Jianjun, vice president of Amazon China, said that Amazon enjoys price advantage as products will be purchased from the brand's overseas agencies directly and sell to the Chinese consumers. The new store is selling over 30 brands from countries including America, Canada, Germany and the UK. (Source: Beijing Business Daily)

Health Food Sold Online in Fuzhou Off Shelf

Since the new tax policy on the cross-border e-commerce sales was released, a large number of goods are no longer allowed to be imported in a tax-free fashion and sold online.

In Fuzhou, several large cross-border e-commerce stores are taking products off shelf, including some cosmetics and health products.

A director of one of these stores told the reporter that about 30% of products sold in this store would be affected, including cosmetics and health products. The store is trying to sell out all the remain products and reduce the inventory.

"Health products are sold in a large number in this store, and after the new policy takes place, we will take down a large number of health products from our store," said the director. (Source: The Strait Daily)

TRT Signs Agreement to Distribute Canadian Health Products in China

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Inc. signed a licensing agreement with China's Tongrentang International (TRT) of China here on Tuesday to distribute its flagship Natural Factors brand of natural health products in China.

The agreement gives TRT, a Beijing-based China's well-established healthcare company founded in 1669, exclusive rights to distribute both online and in bricks and mortar stores and will further expand TRT's cross-border e-commerce market.

According to Michael Hobson, President and CEO of Factors Group, the move is a strategic step in its continuing expansion into the global export market.



"China is one of the world's largest and fastest-growing economies, one where demand for quality

natural health products is exploding. This is a win-win opportunity to partner with a respected company that shares our dedication to providing consumers with safe, effective products that can make a positive difference in their lives," he said at the signing ceremony in its head office in Cuquitlam, which is a suburb city of Greater Vancouver.

Guangfei Ji, Chairman and CEO of TRT, shares Hobson's view. He said at the signing ceremony that they were excited to introduce Natural Factors to Chinese consumers as their leading brand of nutritional supplements.

"Our cross-border e-commerce platform along with our network of local pharmacies across China ensures our customers have access to the best products from around the world," Ji said.

Hobson told Xinhua that they chose TRT as their sole distributor in China because TRT has a long history and reputed brand in China. TRT also knows the market and demand of the Chinese people, so he was confident their cooperation with TRT would be very successful.

Factors Group is a Canadian owned and operated family business that has been manufacturing natural health products for more than 55 years. It has become one of the largest manufacturers of vitamins and nutritional supplements in North America, with facilities in nine locations across Canada and the US and over 1,500 employees. (Source: Xinhua)

Internet Plus Strategy Helps Zhanjiang Tea Spread Far and Wide

A post-90s entrepreneur born in Zhanjiang's Lianjiang county, Guangdong province, has successfully expanded the sales market for local tea via crowd funding on the Internet, creating a legend among tea farmers in the county.

Liu Yu, who graduated from university last year and inherited his family tea business in the Guangling village of the county, came up with the idea of crowd funding to provide a boost to the business.

At the beginning, Liu established the Zhiqing Agricultural Co with his two friends, hoping to lift the deteriorating local tradition to a higher stage.

Focusing on the development model of "company-tea base-farmers", the three young men pulled out all the stops to promote their hometown tea. They also set up a dozen online and offline sales markets for the promotion.

However, they were still stuck with limited market access due to the county's weak transportation and inadequate market information, with the green plants nearly drying up their investments.

Having been inspired by the success of crowd funding from another post-90s kiwi seller in Xi'an, Shannxi province, Liu and his friends tried to post the specifics of their tea leaves and videos of tea production online in March, in a bid to attract more investment.

The goal of their crowd funding was set at 10,000 yuan (\$1,547) for 50 grams of tea leaves in 15 days. To their surprise, on April 7, the last but one day of the period, they had netted 11,270 yuan from 91 netizens, 13 percent more than they expected.

"Thanks to the Internet Plus strategy, we are able to exchange with our potential clients in a more interactive and transparent way. That helps us expand the sales market and attract more investment," said Liu.

Traditional online marketing only focuses on the selling-buying relationship between the sellers and clients but with the help of crowd funding, an advanced online marketing method, both parties

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can share and cooperate in business, Liu added.

Liu said that in the future he was going to host more festivals related to local tea culture, in order to develop more special tourism programs and to spread tea culture to a wider audience. (Source: Zhejiang.gov.cn)



China to Punish Hundreds in Vaccine Scandal

China will punish 357 officials implicated in the sale of improperly handled vaccines, a scandal that has reignited drug safety fears and further eroded trust in the country's public health system.

Officials found to have been involved will be fired or demoted, and criminal charges may be filed against some of them, the government's state-controlled news agency, Xinhua, said Thursday, citing an announcement from China's cabinet, the State Council.

As of Monday, authorities had filed 192 criminal cases and detained 202 people connected with the scandal, Xinhua said.

The vaccine scandal is the latest to hit a public health system that the government has struggled to reform to provide better and more affordable care.

While vaccines for polio, measles and some infectious diseases are distributed free, those to prevent rabies, flu and some other diseases are sold and, experts said, the distribution and sale of these vaccines have proved problematic to monitor for quality.

The State Food and Drug Administration announced in March that it identified nine drug wholesalers involved in the alleged reselling of vaccines that had been stored and transported without proper refrigeration. Grass-roots health clinics run by local governments purchased the vaccinations, according to Xinhua.

The improper handling may have ruined the vaccines, leaving children unprotected against the diseases they targeted, though they don't pose a wider danger to public health, according to experts.

The State Council, at its Wednesday meeting, approved revised rules banning drug wholesalers from selling vaccines. The government also said it is overhauling the procurement and distribution of for-purchase vaccinations in provinces.

The drug safety agency has said that investigators have uncovered a long-standing collusion, with some government clinics selling expired or near-expired vaccines on the cheap to vendors, who then resell them to other government clinics, especially in remote areas with weak oversight.

The issue has ignited fears among many families who feel they have few options to ensure that their children receive safe vaccinations.

Drug and food safety problems have plagued China for years. In 2008, six infants died and more than 300,000 fell ill after dairy producers added the



industrial chemical melamine to watered-down milk. Two years ago, China's FDA halted vaccine production at several domestic makers of the hepatitis B vaccine, citing a failure to meet new production-quality standards. (Source: WSJ)

Brand Wars Break Out in Cosmetics



Despite economic slowdown and intense competition from Japanese and South Korean cosmetic and skincare brands, Chinese players are fighting back to regain consumers.

According to the China Shopper Report 2015, released by consulting firm Bain & Co in July last year, Chinese retailers contributed 87 percent to the overall market growth in 2014, accounting for about 70 percent of the market value in 26 monitored categories.

They outsold foreign brands in 18 categories, making the biggest gains in skincare and color cosmetics.

Bruno Lannes, partner at Bain's Shanghai office, said Chinese cosmetic brands made gains by executing smart strategies designed to appeal to local shoppers.

"For example, Chinese skincare brand Pechoin advanced by starting from smaller cities and expanding into larger markets with upgraded products and a premium brand image.

"Media-heavy investment helped cosmetics brand Kans boost its penetration in offline channels to gain market share from foreign competitors."

Expectation of a rise in demand in the future has also driven domestic retailers to increase the pace of opening stores, according to Deloitte China.

On the other hand, overseas retailers have a more conservative approach to allocating their resources. They face intense competition from local companies on top of uncertainty over domestic and global economic growth.

Xie Wenjian, general manager of Shanghai Jahwa United Co Ltd, said that from a cultural perspective, the rise of local brands is the result of "the rising oriental natural power".

Chinese consumers' preference for herbal and traditional Chinese medicine has prompted the growth of local brands, he said.

Shanghai-based Jala Group, known for its leading brands including Chando and Maysu, has been one of the successful players. In 2015, the group saw its total sales revenue rise by 15 percent year-on-year.

Sales of its products at department stores and supermarkets grew by a more significant 19 percent. Three skincare products under the group's key brand Chando managed to clock annual sales of more than 100 million yuan (\$15.3 million) each last year.

According to Zheng Chunying, chairman of Jala, 2014 was a turning point for Chinese domestic brands. In that year, their collective sales overtook that of foreign brands for the first time.



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Much of that success can be attributed to research and development in which Chinese companies invested heavily. Jala, for instance, invested 5 percent of its annual turnover in R&D in 2015.

This meant the quality of Chinese products improved to be comparable with foreign brands. In some cases, Chinese products were even considered superior.



"Of course, the rise of Chinese domestic brands is also due to government support. The central government has been educating consumers about domestic brands. Chinese consumers now have a rational understanding of local brands, and are not unduly swayed by the notion that all foreign brands must be superior by default," he said.

Chinese e-commerce websites have also provided more opportunities for cosmetics brands to grow. During the Nov 11 online shopping festival last year, Chando's sales reached 103 million yuan, double the previous year's figure.

Among the 500,000-plus consumers who bought Chando products that day, 85 percent were first-time buyers. From Nov 1 to 10, Chando's offline sales also surged by more than 60 percent year-on-year. Sales of its makeup products alone increased by 52 percent year-on-year.

Many other domestic cosmetic and skincare brands seized the Nov 11 opportunity and competed with celebrated global brands. Flash sale giant Vipshop Holdings Ltd hosted many Chinese brands on its

online platform, such as Shanghai-based Kans and Pechoin, and Beijing-based Dabao, which squared up against many European and US brands, including Estee Lauder, Olay and Elizabeth Arden.

"Domestic players now understand the importance of brand-building. This has greatly helped their sales in China. We have seen rapid increase in sales of Chinese makeup and skincare brands on our platform," said Zhang Dan, public relations manager of Vipshop. (Source: China Daily)

China Approves Three New Bacterial Cultures in Foods

Staphylococcus vitulinus, *Staphylococcus xylosum*, and *Staphylococcus carnosus* have been approved to be used in food as leavening agents.

On April 22, 2016, the National Health and Family Planning Commission of China (NHFPC) announced the approval of three new bacterial cultures permitted in foods, including *Staphylococcus vitulinus*, *Staphylococcus xylosum*, and *Staphylococcus carnosus*.

These three newly approved bacterial cultures have been included in the "list of bacterial cultures permitted in foods", bringing the total number of approved bacterial cultures to 38 (see all the bacterial cultures permitted in foods in [CL F-List Section](#)).

These three bacterial cultures are used in food fermentation industry as leavening agents to improve the stability of fermented food and shorten the production period. (Source: ChemLinked)

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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