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

CHINA UPDATES

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Beijing Greenlights Family Medical Services

The local health regulator in Beijing said recently that the medical services provided in ways of tours and family visiting will be regarded as legal in Beijing.

The local authority said that as approved by the national regulator, the medical services mentioned above will be practiced in four districts of Beijing as pilot projects.

A guidance on how to regulate these practices was also released and will be reviewed by the law-making office of Beijing's city government.

The authority said that these services would help people who are not able to move or suffer from serious disease to get treatment at home. The district government will also sign deals with community hospitals to promote this practice. (Source: Beijing News)

Xiwang Food Bought the Canadian Health Food Kerr

The Shandong-based Xiwang Food plans to partner with the a local capital fund to pay $730 million in cash to buy Kerr Investment Holding Corp., the Canadian sports health food company.

The listed company mainly produce cooking oil and does not have much business related to health food.

The local industry people said that it is not sure whether this deal worth that much of money and it really depends on whether the Chinese company can integrate the foreign business smoothly in the future. (Source: Securities Journal)

Report: 80% of Clinic Data for New Medicines Faked

A recent report by local media says that about 80% of clinic data generated for new drugs are found to be faked, as a result of absence for supervision.

The report draws a lot of attention from local industry people. According to official data of CFDA, 1184 applications for new drugs were revoked by the state regulator as the clinic data are found faked or incomplete, which account for 73% of the total applications.

Clinic data are of great importance regarding drug's research and development. Faking clinic data would bring risks to patients and do great harm to China's pharmacy industry.

"Before a drug is put into market, it needs to go through clinic experiment," said an executive of a pharmaceutical firm. "since the clinic experiment, faking started."

A medical magazine said that nearly 86% of all experiment records reviewed in a recent survey said that clinic experiment is the most problematic step among all medical experiments. Only 1/7 of the medical institutions are found without any problem. (Source: Science Daily)

Chinese Firms Enter Private Health Insurance Market for Growth Opportunities

Gaming firms, real-estate companies and drugmakers in China are chasing what they hope will be the country's next hot commodity: private health insurance.

At least 29 publicly traded Chinese companies have announced plans to invest in commercial insurance businesses since 2015, according to a report from researcher VC Beat and corporate statements. The new ventures are focused partly, or entirely, on health insurance, an area where affluent Chinese families are ramping up spending.

The China Insurance Regulatory Commission, a government body, estimates that premium income for private health insurers jumped by 94 percent in the first seven months this year. That topped the last year's already substantial 52 percent surge, fueled by policy incentives and China's rising prevalence of chronic conditions like heart disease.

"The growth is sustainable because all the drivers will continue to be there, especially the demand for health-care services," said Luo Ying, partner and managing director at consultancy Boston Consulting Group. In an August report, BCG and insurer Munich Re estimated that the market measured by premium income will more than quadruple from 240 billion yuan ($36 billion) last year to 1.1 trillion yuan by 2020.

The emergence of private health insurance is a new trend and most people in China still rely on a government-backed scheme which doesn't cover many costly drugs for diseases like cancer. Patients also face lengthy delays at public hospitals for care. Private health insurance accounted for only about 7 percent of personal health expenditure in China last year, according to BCG.

Companies venturing into health insurance range from drug manufacturer Kangmei Pharmaceutical Co. and physical check-up chain Meinian Onehealth Healthcare Holdings Co., to even property developer Suning Universal Co. and Dalian Zeus Entertainment Group Co., which develops online games.

Alibaba Health Information Technology Ltd., the health-care arm of billionaire Jack Ma's Alibaba Group Holding Ltd., in April announced plans to form a joint venture with partners including China Taiping Insurance Holdings Co. for internet health insurance-related operations in China. Due to government restrictions on foreign investments in health insurance, multinationals like Cigna Corp. and Allianz SE often operate through joint ventures with local partners in China.

Health-related companies often invest in insurance to provide a more complete range of services, while other firms might be seeking to diversify into a high-growth business, said Zhao Heng, founder of a local health-care consultancy called Latitude Health.

As China continues to urbanize and age, commercial health insurance has entered a state of rapid development and investing in a health insurer represents a step in Suning Universal's transition toward the finance sector, the company said in an Aug. 25 statement.

Still, there are several challenges. The health insurance business requires scale and it can be challenging for small companies to make money, said BCG's Luo. "Therefore non-insurer investors need to be very careful when entering this market."

Getting an insurance license can also be difficult for many companies and another major risk is "a weak understanding of the market," said Zhao. Unlike other insurers, health insurance companies often face high payment ratios and may not always be able to reap large profits even in developed markets, added Zhao.

China's public hospitals remain heavily dependent on medicine sales for revenue. Therefore, doctors lack the incentive to control costs, a headache for commercial health insurance providers, according to Zhao.

The solution to the problem, BCG says, will be the rise of private hospitals in China. The number of private hospitals grew by 16 percent annually between 2005 and 2014, according to the consultancy's calculations, while the number of public ones fell by 2 percent.

Implementation of policy incentives such as the income tax benefit also face challenges, said BCG's Luo. "But going forward, we believe the policies will continue to improve and more such policies will be issued." (Source: Bloomberg)

Fast-food Giants Sell China Units

Fast-food giants are selling their businesses in China as they face pressure from local competitors' expansion and shifting consumption concepts, but domestic investors are willing to invest in these operations because they believe such chains still have good prospects, experts noted.

Yum Brands Inc plans to separate its China unit, which will get total investment of $460 million from

Beijing-based private equity firm Primavera Capital Group and online and mobile financial services provider Ant Financial Services Group after its spinoff from Yum, domestic news portal Beijing Youth Daily reported on Sunday.

The transaction is expected to be completed by October 31, with Yum China to start trading independently on the New York Stock Exchange on November 1, according to an announcement on the website of Yum on Friday.

On Friday, Reuters reported that US-based private equity firm Carlyle Group and global private investment firm TPG Capital are working with two Chinese companies in a bid for McDonald's business in the Chinese mainland and Hong Kong with investment estimated at $2 billion to $3 billion. The news service cited people familiar with the matter.

Fast-food giants are selling their businesses in China due to weak performances, Ma Wenfeng, a senior analyst at Beijing Orient Agribusiness Consultant, told the Global Times on Sunday.

KFC's second-quarter sales in China increased just 3 percent year-on-year, while Pizza Hut Casual Dining's sales fell 11 percent from the year earlier, according to Yum's results released on July 13.

The rise of traditional Chinese fast-food restaurants and changes in dining preferences have caused Western fast-food restaurants' position to decline in recent years, experts noted.

Traditional Chinese fast food is in line with Chinese customers' eating habits. And the emergence of online takeaway platforms is boosting the fast growth of Chinese fast-food services, Ma explained, noting Chinese fast-food meals are viewed as healthier than their Western peers.

No matter how much effort they put into designing products intended to cater to Chinese tastes, Western items such as hamburgers are considered junk food, said Beijing Youth Daily.

"However, I think domestic companies look favorably upon the prospects of Yum China and aim to optimize their own business structures by investing in the fast-food giant," said Liu Jianying, an associate research fellow at the Chinese Academy of International Trade and Economic Cooperation.

Western fast-food brands' management experience, distribution channels and large client bases are still attractive to many domestic companies that want to enter the fast-food industry, she explained.

KFC's first restaurant opened in the mainland in 1978. As of June 11 this year, it had 5,039 restaurants in China, data from Yum's second-quarter report showed.

McDonald's entered China in 1990. It had more than 2,200 restaurants in China as of 2015, with more than 100,000 employees, data from McDonald's showed.

"We have long admired the Yum China business and are looking forward to collaborating with the board and management to realize the company's full potential," said Hu Zuliu, founder of Primavera, according to Yum's announcement.

"Through this collaboration, we aim to help Yum China provide world-class mobile payment services for tens of millions of customers across its brands," said Jing Xiandong, president of Ant Financial Services Group, in the announcement of Yum. "These services include hassle-free Alipay for customers to help shorten queues at the cashier as well as membership solutions for Yum China designed to help manage customer relations and promotions." (Source: Global Times)

Shake-up of China's Health Reforms In The Offing

The highest-profile national health conference in two decades in China heralds a major shake-up of medical reforms, analysts say.

The conference on Friday and Saturday was attended not only by President Xi Jinping and his colleagues from the powerful Communist Party Politburo, but also by heads of the top legislature, court and procuratorate.

The meeting comes two decades after former president Jiang Zemin and the Politburo attended the first national health conference in Beijing. That gathering put health care firmly on the agenda, defining it as key to economic development and social stability.

The revival of the conference over the weekend after 20 years is a sign that medical reform is shifting direction.

It marks an important milestone and will lead to more achievements than the one 20 years ago.

Professor Liu Tingfang, from Tsinghua University's Institute for Hospital Management, said the meeting stressed the importance of health rather than medical treatment or medical reform.

"It marks an important milestone and will lead to more achievements than the one 20 years ago," Liu said.

China has made some big gains in health. Average life expectancy has risen from 35 in 1949 to over 76 last year while the infant mortality rate has dropped from 20 per cent in 1949 to 0.81 per cent last year.

But the health system has been criticised as inaccessible and unaffordable for vast numbers of people.

At last week's meeting, Xi called for full protection of the public's health and underlined the need to make public health a central part of the country's development strategy.

He said China faced health issues common to developing and developed countries and not addressing them risked undermining economic development and social stability.

Xi said health should be factored into government policy for the widest benefit, including mechanisms to prevent air, soil and water pollution, improve food safety and limit the impact of public safety accidents.

Eric Chong, president of the Hong Kong Institute of Asclepius Hospital Management, said he expected Xi would shift the focus of medical reform from treating illnesses to preventing them.

"By involving more government agencies, health is no longer [just] the business of the health authorities. Beijing has moved the watch for health from treating illness to preventing people from getting ill," Chong said.

Xi also called for better and more accessible public medical services that ran the gamut from prevention, to treatment and rehabilitation.

Health care at the crossroads: China must staunch costs as society greys

Liu said: “This means a shake-up of the health care industry and redistribution of medical resources.”

He said that despite government efforts to overhaul the medical system in general, most patients still headed to big hospitals in cities because of the lack of confidence in local facilities.

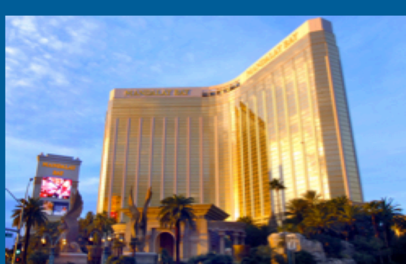
“This has become too much of a burden that might crush public health insurance and medical reforms. The leadership needs the hierarchical medical system to redistribute medical resources otherwise it will fail to realise changes to the medical system,” Liu said. (Source: SCMP)

Supply Side West: China Ingredient and Supplement Regulatory Seminar

China’s health product industry has been under going some dramatic regulatory changes over the last year. These legislative movements have affected and will continue to shape the way industry conducts business in China. These new regulations have been hard to swallow for many companies especially global players already in the market and/or looking to get in. China’s Food Safety Law was implemented on October 1, 2015. However, China’s FDA is still rolling out regulations that affect supplements.

With that in mind, U.S.-China Health Products Association is organizing a free seminar with its sponsoring partners NSF International and TSI Group to bring the latest updates and clarity to one of the world’s most challenging markets. The association and seminar sponsors have accumulated decades of “on the ground” experience, which they’ll be sharing during the seminar.

CHINA INGREDIENT & SUPPLEMENT INDUSTRY



October 6, 2016
3:15 – 5:00pm
Mandalay Bay Las Vegas
South Convention Center
Level 3 Room: Palm A

What’s the Latest?

With the implementation of China’s new Food Safety Law on October 1, 2015, the nutritional ingredient and dietary supplement regulatory environment is under going significant changes that have and will continue to affect foreign companies.

Join the U.S.-China Health Products Association and its partners NSF International and TSI Group for this FREE up to date and informative seminar covering the following topics:

- **Ingredient and Dietary Supplement Regulations**
- **Market / Sales Insights**
- **Latest on Cross Border E-commerce**
- **GMP and Quality Control**
- **Sourcing and OEM Activities in China**

Although the seminar is in Vegas, don’t gamble on your company’s China business. This is a must attend event. Hope to see you there.

For more details, contact USCHPA: info@uschinahpa.org

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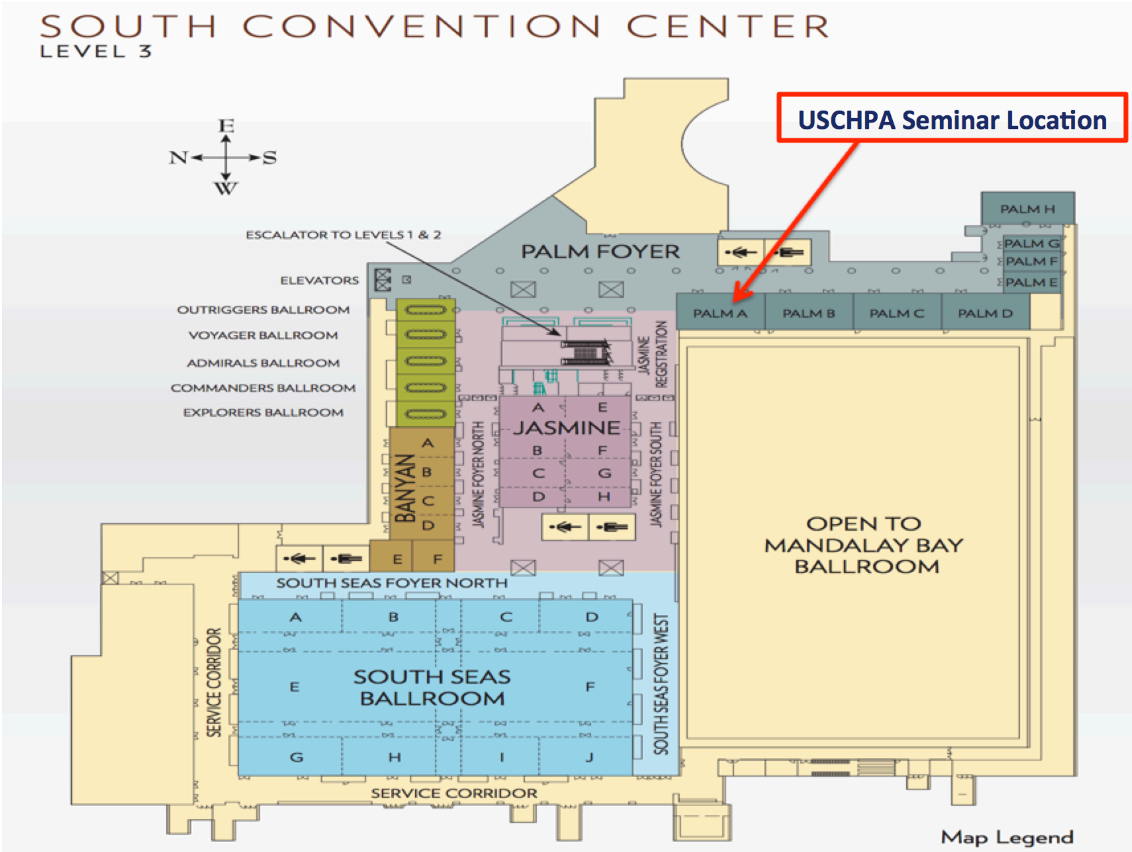

China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and nutritional ingredients. The association's major focus is the continued development of China's overall natural health product industry as well as offer business services to its global members.

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