



# CHINA UPDATES

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## **Six Health Food and Cosmetics Companies Investigated in Sichuan**

Local food and drug regulators of Sichuan's Xichong county recently launched a special campaign at the local health food and cosmetics market. Six companies of health food and cosmetics have been probed into for problems including operating without official approval and false advertisement.

this campaign covers flagships and other stores selling health food and cosmetics. Regulators requires vendors to show relevant certificate to prove that they've got official approval to operate, and other documents to prove the quality of their products.

Special attention was paid to labels and instruction books of products.

32 companies are inspected so far. Problems spotted include illegally promoting health food in names of "industry seminar". (Source: China Medical Daily)

## **Beijing Released Spot Check Result on Food**

The local food and drug regulators of Beijing recently released a report of results of spot checks on food safety last year. The report shows that major products covered in the spot checks were health food, and 154 batches of products were inspected.

Among the checked, 4 batches were found substandard. The authority said they've already required the vendors to take the problematic products off the shelf in time, and recall them soonest.



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The regulators also urged companies to shoulder greater responsibilities and map out measures to ensure food safety.

The public can also report on illegal cases directly to the authority by calling the hotline. (Source: China Quality News Site)

### **Hainan Released New Government Plan on Food Safety**

The local food and drug regulator of Hainan province recently released a new government plan with ten goals to improve food safety situation in the province.

The ten goals include wiping out major problems, improving standard rate of spot check, enhancing regulatory capability, better controlling food-related crime, and holding food vendors accountable.

The plan also listed 25 quantitative criteria in assessing the local food safety level. "In general, the regulatory foundation of food and drug safety in Hainan is weak, problems including illegal additive and substandard workshops still exist in the local market," said a director with Hainan FDA, pointing out that the food safety situation is still challenging in Hainan. (Source: Hainan Daily)

### **Hays Report Shows Domestic Companies Driving Digital Transformation**

A growing number of Chinese companies are gearing up for digital transformation - the transformation of business activities associated with applying digital technology to all aspects of society - in a move to boost engagement with consumers and improve digital customer solutions, according to a report.

The quarterly report for January to March, released by global recruitment specialist Hays plc, indicates that many Chinese companies will invest in technology in the first quarter and go on a hiring spree after the Spring Festival.

According to the report, companies will speed up their expansion in all areas of e-commerce and digital

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marketing and there will be a big surge in China's digital transformation in 2017.

Simon Lance, managing director of Hays in China, said both domestic and foreign companies were aware of the role of e-commerce and digital marketing in economic growth, and the success of digital transformation would depend on the corporate sector's strategy for big data.

"Over the last year, we've seen businesses go through growth cycles and manage disruptions in the marketplace," Lance said.

"We continue to see a rise in the demand for such roles as consumer marketing and customer analytics, as the expanding drive to put the customer first and understand the customer continues."

Dong Xu, senior analyst at Beijing-based market research company Analysys, said it was of key importance for companies to analyze the value of digital clients and introduce and implement big data to increase revenues.

"It is the future. Using big data and other technologies, companies are able to improve their operating efficiency, reduce costs and avoid risks," Dong added.

The report by Hays also noted that there could be a spike in recruitment of developers during January

to March, especially those with Java and Oracle skills.

"Digital marketing candidates with proven experience in developing compelling and engaging digital experiences will stand out," Lance said.

Review of data indicates that the digital transformation process continues to gain momentum internationally.

By the end of 2017, two-thirds of CEOs in Global 2000 enterprises will put digital transformation at the center of their corporate strategies, according to a recent report by research firm International Data Corporation.

IDC predicted that by 2020 companies globally would spend more than \$500 billion on cloud services, hardware and software to support cloud services, as well as services to implement and manage cloud services - more than three times spending levels in 2015. (Source: China Daily)

### Wal-Mart Eyes Larger Foothold in China, Increases Stake in JD.com



American retail giant Wal-Mart Stores, Inc. has further increased its stake in China's second largest e-commerce firm JD.com Inc. to 12.1 per cent as on December end, up from 10.8 per cent in October 2016, according to a latest securities filing.

The disclosure comes in around three months when Arkansas-based retailer disclosed that it had almost doubled its holding in JD.com and its holding in the Chinese firm had increased to 10.8 per cent from 5.9 per cent. Wal-Mart has been aggressively trying to gain ground in the Chinese e-tailing space, which is dominated by Jack Ma's Alibaba. (Source: dealstreetasia)

### Online Hospital Opens in Sichuan

A new online hospital catering to women and children was launched in Chengdu, Sichuan province, on Wednesday.

The West China Women and Children Online Hospital of Sichuan University will partner with the Chengdu-based West China Second University Hospital to offer online medical services for patients from all parts of the country, according to Zhang Lin, president of the latter university.

West China Second University Hospital is the largest medical institution for women and children in Southwest China.

Two months ago, the Sichuan Provincial Health and Family Planning Commission signed an agreement for construction of an online hospital in Chengdu with We Doctor, an online medical service provider in China.

Shen Ji, head of the commission, said the hospital will use the internet to help people who lack access to qualified medical services in the less developed areas in Sichuan.

A total of 88 counties in the province suffer from a severe shortage of medical resources, but thanks to the new hospital, patients in these counties can now seek out medical consultations from renowned doctors in Chengdu's major hospitals as well as other parts of China, Shen said.

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Sichuan's Liangshan Yi autonomous prefecture, which has the largest ethnic Yi population in China, is one of the least developed areas in the province. It is expected to benefit most from the hospital.

To access the service, residents need only visit a local rural clinic when they are sick. The results of their checkups will then be sent to the online hospital, where doctors will analyze the results and diagnose patients via online video conferencing. (Source: China Daily)

## China's Brick-and-Mortar Retailers Likely to Bottom Out in 2017

China's traditional retailers had a difficult 2016, with major retailers reporting a third straight year of sales declines, but the slide should bottom out this year as consumer sentiment shows signs of improving. Traditional retailers have also deepened the integration of shoppers' online and offline experience, and rising reflation expectations should boost sales of supermarket operators in particular, say analysts.

Overall sales for the top 50 Chinese retailers decreased 0.5 per cent in 2016, down for a third year in a row, according to recent statistics from the China National Commercial Information Centre. In 2014 and 2015, retail sales dropped 0.7 per cent and 0.2 per cent respectively.

Nonetheless, positive signs emerged in December as sales for the top 50 retailers jumped 5.1 per cent year on year, reversing a 5.6 per cent year-on-year decline in the same month in 2015. December also marked the biggest monthly increase in 2016.

"It seems obvious that brick-and-mortar stores have seen sales stabilise near the bottom," said Fan Junhao and Guo Haiyan, analysts for China International Capital Corp (CICC), in a recent research note. "Continued recovery should be

expected in 2017."

Nomura analysts Emily Lee and Scott Hong agreed on the positive outlook.



"We believe [fiscal 2017] is likely to be a year of stabilisation for China and Hong Kong retailers, due to easier [comparable same-store sales] and lower pressure from operating expenses," they wrote in a report.

Positive updates from different sub-sectors have implied a pick-up in consumer sentiment, they added.

The Westpac MNI China Consumer Sentiment Indicator increased to 116.6 in December, up 1.5 per cent from November's reading. The pick-up leaves sentiment above the 12-month average of 115.1 and up 2.5 per cent in 2016.

"The main theme for the Chinese consumer in 2016 has been one of gradual improvement. While there have been several setbacks along the way and progress has at times been disappointing, the picture at year end is of a more comfortable consumer," said Matthew Hassan, a senior economist for Westpac.

Besides the improvement in consumer sentiment, the integration of online and offline retail shopping



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experience should also boost mutual growth, said Fan and Guo.

“The retail sector is entering a new era of online-offline integration,” they said.

E-commerce giants such as Alibaba and JD.com have acquired stakes in a number of offline retailers in recent years.

Last week, Alibaba announced it would join the founder of Intime Retail, Shen Guojun, to pay as much as HK\$19.8 billion to privatise Intime in a bid to expand further into bricks and mortar stores. Alibaba owns the South China Morning Post.

CICC analysts also said rising reflation expectations are beneficial for supermarket operators in particular.

In December, the Consumer Price Index rose 2.1 per cent from a year earlier, roughly within market expectations. The Producer Price Index jumped 5.5 per cent from a year ago, the fastest pace in five years.

“While in January 2016, the common fear was deflation and hard landing, now the concerns are inflation and financial risks,” said Larry Hu and Jerry Peng, economists for Macquarie Capital. (Source: SCMP)

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