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## **Hunan Cracks Down on Illegal Health Food Sales**

To strengthen control over illegal marketing conducts of health food, the local market regulator of Hunan province and authorities from several districts managed to spot three companies which illegally sell health food, cosmetics and drugs by organizing seminars with elderly consumers, and seduced them to buy products of substandard quality.

These companies operate offline stores of several online vendors. The regulators found that these companies were selling products nationwide via online channels, and holding seminars to invite elderly consumers to attend for free. The organizers also asked the consumers to pay for membership.

The companies failed to provide test report of the products' import, and qualification certificate of suppliers.

The relevant cases are still under investigation. (Source: CFDA)

## **Goubuli Bought Blooms**

China's food brand Goubuli recently announced that it bought 78% of stakes from Australian health food company Blooms Bluesky Holding, after they invested in Australia's Gloria Jean's Coffees.

The two companies said that they are devoted to help Blooms and Anthogenol under the Australian company to gain a better market share in China, and would import health food that speaks to Chinese consumers.

The deal was signed when premiere Li Keqiang visited Australia. (Source: Shuzheng Kangxun)



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## Shanxi Strengthens Control over Food and Drug

The provincial food and drug regulator of Shanxi recently said that the agency would step up efforts in cracking down on illegal drug and food cases, and specially targets at issues that are most complained by consumers, including additive overuse.

The campaign would cover food, drug, medical equipment, health food and cosmetics. It would inspect processes from production, distribution to sales.

In the field of health food, special attention would be paid to inspect cases that involve illegal additives, false promotion and marketing campaigns by organizing seminars. Illegal production of cosmetics using unapproved ingredient would also be punished severely. (Source: Shanxi Daily)

## Alibaba Taps Technology Behind Bitcoin to Tackle Food Fraud

The Australian operation of Alibaba Group is exploring new ways to address food fraud risk by using the technology behind bitcoin to track the product life cycle of food products.

Alibaba Australia on Friday teamed up with several partners, including PricewaterhouseCoopers and Blackmores, the Australian manufacturer of nutritional supplements, to establish a food trust framework to curb the spread of counterfeit food online.

The project is designed to enhance traceability models and introduce new technologies to mitigate the risk of counterfeit and fraudulent food products. "This will include the development of a pilot blockchain technologies solution model for vendors to be utilized by participants across the supply chain," Alibaba, which owns the South China Morning Post, said in a statement on Friday.

Blockchain technologies are used to track the



transactions of bitcoin and other cryptocurrencies.

Ant Financial, the online finance major controlled by Alibaba's billionaire founder Jack Ma, has since last year been using blockchain technology to record transactions of charitable donations in China in a bid to improve accountability of the country's philanthropic organizations.

Alibaba envisages that the Australian pilot run of the food trust framework will form the basis of a global supply chain model that can be applied across all of Alibaba Group's e-commerce markets.

"The signing of today's agreement is the first step in creating a globally respected framework that protects the reputation of food merchants and gives consumers further confidence to purchase food online," Maggie Zhou, managing director of Alibaba Group Australia and New Zealand, said in a statement.

Research conducted by Michigan State University found that fraud costs the global food industry an estimated US\$40 billion each year.

A study by PwC found that 39 per cent of food companies globally said it was easy to fake their food products and 42 per cent believe there is no method for detecting fraud beyond standard food checks. (Source: SCMP)

## E-commerce Industry Set to Boost Traditional Enterprises

E-commerce companies said they will make great efforts to boost traditional enterprises and upgrade the real economy as the government published plans to develop e-commerce business during the 13th Five-Year Plan (2016-20).

The plan has set goals to increase the trading volume of e-commerce to 40 trillion yuan (\$5.76 trillion) by 2020, including 10 trillion yuan from online retail businesses. The e-commerce market is expected to employ 50 million people by the end of 2020, according to the plan.

The plan also set out five tasks to expand the e-commerce market, such as speeding the upgrading of e-commerce, promoting the deep integration of e-commerce with traditional industry, improving the public service system of e-commerce and optimizing the governance of e-commerce.

JD.com Inc, China's second-largest e-commerce player, said the plan is to improve the quality and promote the upgrading of e-commerce, which will play an important role in driving the transformation of real economy, deepening supply-side reform and achieving the integration of the internet and the real economy.

The company said cutting-edge technologies, including big data, cloud computing, artificial intelligence and intelligent hardware, will help the development of e-commerce. And, e-commerce players will utilize new technologies extensively during the period of the plan.

Chinese cross-border B2B e-trade company DHgate said: "The plan is put forward to promote the deep integration of e-commerce with traditional industries. We have built bridges for small and



medium-sized enterprises to enter overseas markets since 2004."

In the future, DHgate will help traditional enterprises transform and upgrade, as well as find new growth points for the country's foreign trade.

China is the world's largest e-commerce market, with e-commerce market turnover reaching 16.4 trillion yuan. The turnover of the online shopping market reached 3.8 trillion yuan last year, according to iResearch Consulting Group.

E-commerce will help drive innovation in healthcare, education, culture and tourism, becoming a key engine for economic growth, according to the plan. Moreover, the plan promotes the development of cross-border e-commerce.

Kaola, a shopping platform run by online gaming services provider NetEase Inc, said the plan is good news for cross-border e-commerce and beneficial for the whole industry's healthy and high-efficient development.

The company plans to cultivate specialized talent in cross-border e-commerce and to continue to create



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more employment opportunities, and boost the skills of employees.

Lu Zhenwang, CEO of the Shanghai-based Wanqing Consultancy, said the plan offers a clear development target for e-commerce and indicates the direction for its future development.

"The next step should be how to better integrate traditional industry with e-commerce," Lu said. (Source: China Daily)

## China's Healthcare Sector a Big Draw For Private Equity Investors

Private equity firms and hedge funds are investing heavily into China's healthcare industry in a bet on the sector's upbeat growth potential, fund managers told a Hong Kong forum.

Private hospitals and drug makers are among the bright spots for investors focusing on China, where rising income and an ageing population are boosting the demand for quality medical services.

Private hospitals are set to attract large amounts of capital in the coming decade amid an underdeveloped private medical industry and a shortage of doctors, said investment professionals.

"Healthcare has been the single area that probably everyone can foresee globally an enormous amount of capital and investment," Peter Fuhrman, chairman of China First Capital told the Asia Private Equity Forum in Hong Kong on Wednesday.

China's population of individuals aged 60 or older is set to rise 90 per cent to 240 million by 2020, according to the World Health Organisation.

Meanwhile, one consequence of the nation's one-child policy, introduced in 1979 and officially phased out in 2015, is that the burden of caring for ageing parents will put tremendous pressures on the young

generations.

The healthcare sector in China will become a US\$1 trillion a year business by 2020, according to a report by consulting firm McKinsey & Company.

Among healthcare institutions, private hospitals are set to become the best investment for this sector, said Li Bin, chief executive of Ally Bridge LB Healthcare Fund, a hedge fund that focuses on investing in China and Asia healthcare companies.

However, he said there are problems that will likely hinder the industry's growth.

Among barriers, Li cited a shortage of quality doctors, the lack of an ecosystem to support the development of private hospitals, as well as the long time frame needed to build up a trusted reputation.

Although about half of the hospitals in the country are private, more than 80 per cent of medical professionals work in the public sector, which offer higher salaries and better career prospects, according to a recent report by Citi.

"Five years ago I said it would take 10 years for private hospitals to mature in China, now I think it would take another 10 years," he said.



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Alice Au Miu Hing from SpencerStuart, an executive search consultancy, said it remains extremely difficult to find experienced private hospital executives with China experience who can speak Putonghua.

“The common approach now is to bring someone from the industry from outside and see if the person can survive in the mainland market,” said Au.

Meanwhile, pharmaceutical and biotech start-ups will flourish with China’s emerging middle class seeking better healthcare services.

Judith Li, partner at the life science-focused Lilly Asia Ventures, told the forum that China spends about 6 per cent of its GDP on healthcare, versus an Organization for Economic Cooperation and Development average of 10 per cent.

“China has so many white spaces where there is nothing exists, and it’s very compelling,” she said.

“If you can bring it [a drug] from the US, you can then avoid the fundamental scientific risk of developing something that’s completely unavailable.” (Source: SCMP)



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