

# CHINA UPDATES

Your Trusted Source for Market Intel on China's Natural Health Product Industry



ISSUE 53  
August 29, 2013

**We Know the China Market.  
Need Help?**

[Click here to connect with an expert on China focused manufacturing, sales, distribution and marketing.](#)



## IN THIS ISSUE

Authority Compiles Black List to Regulate Health Product Company

Milk Powder to be Sold in pharmacies in China

Disqualified Health Product and Cosmetics Spotted in Shanghai

Throat Sweets Company Punished for Misleading Promotion

Foreign Brands in China Struggle to Translate, While Others Manage To Prosper

Watchdog to Protect Rights of Consumers

## **Authority Compiles Black List to Regulate Health Product Company**

The FDA of Guangxi Zhuang Autonomous Region said that a new regulation regarding the criteria of credit rating of health product company in the Region would soon roll out. The regulation is going to rate companies from A to D. Those companies which are rated as D for more than twice will be put into the black list by the regulators.

It is said that the rating will be practiced in the form of dynamic rating and annual rating. The local FDA is slated to release the rating result in the coming January.

According to the regulation, those health product companies who change the approved formula at will, apply illegal add forbidden substances, overuse restricted substances, produce fake products, or have major quality problem will be exposed by the regulator. The company's legal representative and the company will also be into the black list. Those who promote and advertise themselves misleadingly will be warned by the national FDA and degraded into D level in rating.

The regulator will inspect the daily operation of those who are rated as D level more often than others and their performance and illegal records will be reported to local commerce and industrial bureau,

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters are issued approximately three times a month. China Updates provides news on regulatory environment, new legislation, association activities and any information related to China's natural health products industry.

tax bureau and public security department. The illegal conduct will also be exposed to media including online platform. (Source: Xinhua.com)

### **Milk Powder to be Sold in Pharmacies in China**

According to China National Radio, the China International Trade Association said that a number of domestic and foreign milk powder brands will be sold in pharmacies. The pilot program will be launched in 20 pharmacies of Beijing and Jiangsu province.

At this moment, there are three channels to sell milk powder domestically: supermarket, maternal and infant shop and internet, while pharmacy is the main channel to sell milk powder in western countries. The experience of western countries tells that pharmacy system can guarantee the sales management and quality control. Xu Jing, director of brand management center of China International Trade Association said that the milk powder in pharmacies will be sold in auto-selling machines.

“The machine can tell whether the milk powder is up to the standard or not; if not, the door of the machine cannot be closed after loading. Even if the fake ones are loaded, the machine can tell the difference to the consumers three seconds after he or she swipe the bank card.”

It is expected to set up special account of milk powder in 20,000 pharmacies in 500 cities nationwide from this October to 2015.

Regarding milk powders to be sold in pharmacies, views of milk powder companies divide. A spokesman of a local company said that the profit margin of milk powder is way lower than health products and drugs. The low profit may put doubts on whether milk powder can successfully be put into pharmacies. Another company spokesman said: “After milk powder being sold in test stores, the business may be regulated in the same way of how the car plate is managed: who gets first will benefit the most.”

Local comments say pharmacies in China are subject to more stringent quality and qualification standards than other retailers. By lumping baby formulas in with medical products, it's hoped that pharmacies will be able to weed out counterfeit powders before they hit the market. Pharmacies may be able to point out fakes, but identifying substandard products is another matter entirely. Many of the low quality powders churned out by manufacturers are riddled with defects that pharmacies will never be able to spot. (Source: People's Daily.com/ Global Times)

### **Disqualified Health Product and Cosmetics Spotted in Shanghai**

The local regulator in Shanghai recently launched regular inspections on 285 cosmetic products, and 98.95% of them meet the standard. Three of them are rated as disqualified, as they are said to contain illegal ingredient.

Seven health products are rated as disqualified in the regular inspection recently, among the 223 products that were checked. Six of them are found with heavy metal, and one of them is found with illegal ingredients.

**So little.  So much.**

Powerful Phospholipid EPA & DHA  
Excellent User Experience  
Smaller Dose, Easy Digestion

 **AkerBioMarine<sup>™</sup>**  
Antarctic

 **SUPERBA<sup>®</sup>** KRILL

[www.superbakrill.com](http://www.superbakrill.com)



Currently, the local regulator has ordered production suspension of disqualified products, and has reported the product information to the regulators where the production companies locate. At the same time, the Shanghai FDA asks inspection department to step up efforts to regulate all kinds of health products and pull all the disqualified products off the shelf in time.

Details of disqualified products can be found from the official website of the Shanghai FDA: [www.shfda.gov.cn](http://www.shfda.gov.cn) (Source: Xinmin Evening News)

### Throat Sweets Company Punished for Misleading Promotion

Recently, a number of companies of throat sweets which are without medical efficacy promote themselves as health products illegally in their advertisement, according to the local regulators.

Reporters found that though in China's Amazon-like online shopping sites, most throat sweets do not promote themselves as health products, but in their official websites of these products, they play games in promotion.

In the official website of a local brand, it says the product can cure chronic pharyngitis and tonsillitis. It also mentioned that the sweets can help to alleviate syndrome of throat uneasiness. Wang Laoji and Golden Throat, two big names of throat sweets in China, also promote themselves as health products.

In the ingredient description of these sweets, it mentions that the product contains a certain herb that can help to ease uneasiness in throat due to cold and other minor diseases. However, according to national regulation, only health product can promote itself as functional. Ordinary food products are not allowed to promote in this way. Also, these throat sweets do not bear the official logo given by the CFDA to indicate the identity of health products.

According to directors in China Food Industry Association, the so-called "functional sweets" is not included into the official classification of sweets. The throat sweets only bear the logo of "QS", which has no difference with ordinary sweets like fruit and milk sweets.

The throat sweets need to meet two conditions before applying for the identity of health product:



first, it needs to have ingredient that is regarded as health product ingredient by the national regulator  
second, it must have functions of the 27 functions of health products identified by the national regulator. If the production company does not apply for the identity, even if it does have ingredient with health functions, the company still cannot promote itself as health product. (Beijing Morning News)

### Foreign Brands in China Struggle to Translate, While Others Manage To Prosper

What's in a name? For the world's top-earning companies, their brand name being at the forefront of the consumers' minds is everything. In China, foreign brands are in a unique situation trying to propel their



brand and name in the new market, all while toying with a different language -- and different laws.

Silicon Valley luxury electric vehicle company Tesla has announced its push for the China market with the announcement of its first retail outlet in Beijing by next year. While China's growing wealthy population is the perfect market for Tesla Motors, Inc. (NASDAQ: TSLA), a branding trademark issue over the name "Tesla" could be holding them back.

In China, "Tesla" is held by a Chinese man named Zhan Baosheng, also registering the web domains tesla.com.cn, teslamotors.com.cn and tesla.cn.

While Tesla and Zhan battle it out over the "Tesla" name in China, some other companies had easier



transitions into the Chinese market when it came to localized branding. Coca-Cola for example, is branded in China as "Ke Kou Ke Le," a homophone for the soda brand, and also perfectly translating in Chinese to mean "tasty cola." Some other brands also lucked out and were able to find good, phonically-similar words that also translate into something related to the company's products or services. Viagra, a prescription drug made by Pfizer Inc. (NYSE:PFE) used mostly to treat erectile dysfunction, is sold in China as "wei ge" in Chinese, which means

"great brother," an apt euphemism for the help that Viagra provides its users. Goldman Sachs Group Inc. (NYSE:GS), the American investment bank, goes by "gao sheng" in China, which suitably translates to "tall prosperity."

Unlike Tesla, another car company, Land Rover, a British subsidiary of Tata Motors Limited (BOM:500570), has found a fitting Chinese brand name with little trademark hassle. "Lu hu," which literally translates into 'road tiger' is an appropriate name for the military-like sport utility vehicles. In fashion, Bottega Veneta, an Italian brand owned by French group Kering (EPA:KER) that has made a name for itself in the luxury market thanks to its leather goods, voluntarily renamed its Chinese branding from the already established 'Bao Ti Jia' ("fine treasure") to the slightly different 'Bao Die Jia' because a Chinese businessman took the name 'Bao Ti Jia' by applying for a trademark before the fashion house was able to. The same thing happened to French fashion house Hermès International SCA (EPA:RMS), whose Chinese name was nabbed by a local Chinese garment company.

Hugo Boss AG (FRA:BOSS), on the other hand, was able to register its Chinese brand before Chinese trademark "squatters" could get to it first. Hugo Boss has branded itself using just the latter half of the fashion label's name, using the name "bo shi" in China. The two characters used not only sound similar to Boss' English brand name but also translates to "scholar," which elicits images of a high-class intellectual.

Luckily for most foreign brands, meaningful Chinese names aren't necessarily important to Chinese people. Brands like McDonald's and KFC have basically nonsense translations and still find high brand visibility among the Chinese consumer. (Source: International Business Times)

## Watchdog to Protect Rights of Consumers

China's top commerce watchdog has pledged to step up its efforts to tackle anti-competitive practices as a three-month nationwide campaign gets underway.

The State Administration for Industry and Commerce said in a notice released on its website on Wednesday that market supervision authorities nationwide will investigate anti-competitive activities from Thursday until the end of November.

"Currently, commercial bribery, sabotage of competitors, fraud, counterfeiting and other anti-competitive acts are rampant, angering the public," the administration said in the notice.

It urged local authorities to punish offenders and take effective measures to protect the rights of consumers and law-abiding businesses. Sectors of the most concern to the public, such as medicine, medical services and education, will be the main targets in investigations into commercial bribery.



To learn more about NSF cGMP Services, [click here](#)  
Experts in auditing, consulting, training and testing

欲了解更多服务信息请点击  
审核、咨询、培训和测试专家团队

The authorities must strengthen their supervision of the bidding process in these sectors and work out solutions to close loopholes that encourage bribery, it said.

Those who monopolize a particular industry and compromise the interests of competitors and consumers will also be punished. Real estate brokerages, car dealerships, employment agencies and franchises have been the sectors with seriously misleading or deceptive marketing practices, the administration said.

Commerce authorities are urged to close businesses that produce imitations and infringe on intellectual property rights, and to ensure that piracy will not return after the campaign. (Source: China Daily)

**If you have China related news that you would like to share with the association for  
publication in its newsletter please contact us at:**

**[news@uschinahpa.org](mailto:news@uschinahpa.org)**

Copyright © 2013 U.S.-China Health Products Association. All rights reserved.