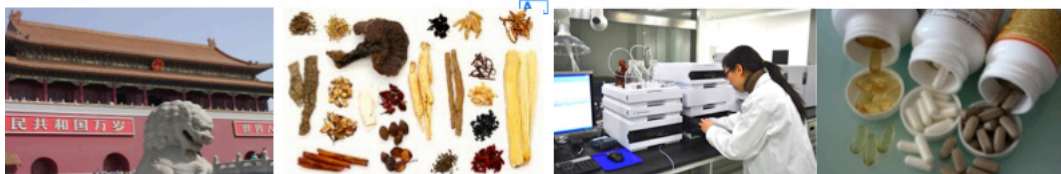


CHINA UPDATES

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



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Home-use Health Equipment Industry Looks for Policy Support

“We are looking forward to more concrete policies from the government to support and promote the development of health equipment industry,” said a representative of a local major health product company in Guangdong, in the seminar held in Beijing to discuss issues about the health equipment industry in the country.

Data show that the market value of domestic home-use medical equipment reached 17.7 billion yuan in 2011, with an year-on-year increase of over 30%. The number expects to hit 42 billion yuan in 2015.

“As a matter of fact, the market value should be way bigger than what it is now,” said Zhang Fenglou, chairman of China Health Association. At this moment, the home-use medical equipment is not defined theoretically due to the absence of official definition.

“The Association should support this industry strategically,” said Mr. Zhang.

“We hope that the government can learn from the industry management experience from Korea and Japan, and gives more policy incentive to this emerging market of home-use health equipment,” said the representative from the Guangdong company.

As an important part of health product market, the home-use health equipment industry lacks for regulation and government management, which hurts the industry's



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development to a great extent. The chief of medical equipment branch of China Health Association said the industry will roll out researches to better learn from experts and understand the opinion of company managers. (Source: Technology Daily)

China Health Food Safety Site to be Launched

China industrial economy site is to launch a new site on food safety issue of health food in China. It is also to launch a wechat platform to inform the public of related issues and information in time.

The new site is to be put into use from late October. An industry seminar is also to be held to mark the launch.

The opening ceremony will have about 200 major local and state media outlets to attend and address in the conference.

The China industrial economy site was founded in May, 2000. It keeps close contact with over 70 major state media outlets in China.

The new health food safety site is to launch feature reporting, seminars and forums on the health food safety issue to inform the government of the latest trend and major issues of the industry. It is also to serve as a platform for the industry to have model companies to follow and learn from, and to expose the illegal companies. (Source: qianhua news)

CFDA Released Reports of Spot Check on Food

The state food regulator released a report on its recent spot check on food nationwide, which shows the pass rate to be over 99%.

The spot check covers 20 types of food and food additives, with 4996 companies involved and 8429 batches of food. The food checked include vegetable, fruit, beverage, and puffed food, candies and cocoa

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products.

The major problems spotted in the test are two-folded: the excessive volume of microbe in the products, especially in meat and seasoning products. It is result of the improper operation during production and sales of food; the other major problem is the excessive volume of food additive in the same kind of products.



CFDA has alerted the provincial regulators in the provinces where the illegal companies are based, and asked the local regulators to monitor the shut-down of related companies and prevent any food safety problem to happen.

CFDA also asks the local consumers to report on illegal cases by calling 12331 to contact the food regulators. (Source: CFDA)

95% of Food-Related Criminal Cases Involve Products to Boost Sex Drive

The procuratorate of Chaoyang district, Beijing, said in its recent briefing that from last year to this July, the institution has investigated 82 cases of food safety issues with 86 suspects involved. The number of food safety cases increased dramatically in the past few months.



The procuratorate also said that among the food-related criminal cases, over 95% involve poisonous health food that claim to boost sex drive. Some of these products are sold at major local pharmacies. These illegal products are very profitable for the production companies, as they are produced at the expense of about 2 to 3 yuan, but can be sold at more than 100 yuan in the market.

The illegal vendors usually take advantage of the mentality of buyers of these products, who usually feel embarrassed to report the case to the police even after they find something wrong with the products.

The authority said that these substandard products were usually sold in adult stores or grocery shops, and most of these stores are without an operation certificate. (Source: Beijing Evening News)

Chinese Consumers Still Steer Clear of McDonald's

McDonald's Corp.'s woes worsened in August, with

the fast-food giant posting its weakest monthly sales results in more than a decade as consumers in Asia continued to steer clear of its burgers and chicken McNuggets because of a supplier problem in China.

Global same-store sales fell 3.7% in August, McDonald's said Tuesday, the sharpest decline since a drop of 4.7% in February 2003. In the Asia/Pacific, Middle East and Africa region, sales at existing locations slid 14.5% last month.

McDonald's has said it is seeking to restore customer trust in China, where it has more than 2,000 stores, following problems that began in late July with meat supplier Shanghai Husi Food Co., owned by U.S.-based OSI Group LLC. Authorities accused the Shanghai plant of intentionally selling expired meat to restaurant companies after a television station ran a report alleging the practice.

Shanghai Husi also supplied other big chains, including those of Yum Brands Inc., which also has experienced falling sales in the region. But McDonald's was one of its biggest customers.

The severity of McDonald's August decline surprised analysts, who had been expecting global same-store sales to fall 3.1% and sales in the Asia-to-Africa region to drop 10.1%, according to Consensus Metrix. "That's not ketchup... it's blood," quipped restaurant analyst Mark Kalinowski of Janney Montgomery Scott LLC about the results.

McDonald's shares, which already had fallen more than 6% through Monday from their level before the supplier scandal surfaced in July, continued declining Tuesday.

McDonald's said it expects the China supplier issue to reduce its third-quarter earnings by between approximately 15 cents to 20 cents a share, largely because of lost sales, expenses related to its recovery efforts and the effect of these items on the quarter's tax rate. Analysts at the end of last month were on average expecting McDonald's to report earnings of \$1.52 a share for the third quarter, according to FactSet.

Earlier this month, McDonald's said it is overhauling its food-safety strategy in China, with plans to review surveillance video from meat-production sites and increase audits of suppliers. Other steps include the creation of anonymous hot lines for suppliers and their employees to report unethical or noncompliant practices and the dispatching of quality-control specialists to all of McDonald's meat-production facilities in China, the company said.



"We are diligently working to effectively navigate the current market conditions to regain momentum," Chief Executive Officer Don Thompson said in a statement Tuesday.

McDonald's also continues to struggle in its home market, where same-store sales declined 2.8%, slightly worse than analysts' estimates of a 2% decline.

The chain has been losing traction with a key group of consumers—millennials, or those in their midteens to mid-30s—to fast casual restaurants that offer fresher fare. McDonald's has acknowledged that it is tricky to win over this age group and said it is working to better connect with them.

One way it plans to do that is by accepting Apple Pay, a mobile payment service announced on Tuesday for people who have new Apple Inc. mobile devices. Customers who have the latest iPhones will be able to use them to pay at the front counters or drive-thrus of all McDonald's in the U.S. starting next month. Their payments will be

charged to their credit or debit card on file from their iTunes account.

In the U.S., the company also has been working to staff its restaurants appropriately during peak hours and to streamline its menu to speed up service.

The company recently replaced the head of its U.S. business and confirmed the departure of its top U.S. marketing executive.

McDonald's also faces challenges in Europe, where August sales declined 0.7%.

Weak performance in Russia, where authorities have targeted McDonald's for alleged sanitary violations and have closed some of its outlets, offset gains in the U.K. (Source: WSJ)

China to Speed Up Development of Commercial Health Insurance

China will speed up development of commercial health insurance to support ongoing medical reforms and meet public demand for better healthcare services, an executive meeting of the State Council decided on Wednesday.

The discussion concluded it was necessary to mobilize social strength through reform and develop commercial health insurance, which, along with the basic medical insurance system, would help meet public demand and develop the health care services industry.

China will strive to set up a system of medical insurance for serious illness and raise reimbursement for patients suffering critical illness.

Insurance companies in China will be allowed to carry out large-scale medical insurance services for urban and rural residents. Funds will be allocated from the basic medical insurance for urban residents and the new rural cooperative medical care system.

The government will increase expenditure on medical services, and encourage insurance

companies to engage in diverse forms of business.

The government will also encourage social capital to establish health insurance companies, and encourage insurance companies to build new medical and health examination facilities, as well as community nursing facilities for the elderly, the meeting said.

Currently, over 90 percent of China's 1.3-billion population is participating in different forms of medical insurance -- with medical insurance for non-working urban workers, basic medical insurance for city dwellers, and the new rural cooperative medical care system for rural residents.

China vowed to expand its healthcare service sector to a value of 8 trillion yuan (1.3 trillion US dollars) by 2020.

The executive meeting also made arrangements on construction of major projects, which it said would help to fix the weakness of the Chinese economy.

"We should stick to the targeted macro control (policy), and secure a stable economic and social development with a long-term solution," the meeting said.

In 2014 and 2015, China will speed up construction on major projects in three aspects -- environment protection, healthcare facilities, and clean energy.

In terms of clean energy, China will start construction on a batch of generation projects for wind, hydro, photovoltaic and nuclear power

The meeting called for further reform in investment and financing to attract more social investment into these projects. (Source: Xinhua Agency)

Digital Innovation Key to Wooing Lower-End Consumers

The rapid adoption of digital technology by low to middle-end consumers in China creates great opportunities for companies to achieve growth and increased market share, the World Economic Forum's Annual Meeting of the New Champions in Tianjin was told on Tuesday.



This means companies that can create value through digital innovation will be well placed to take advantage of greatly increased spending by these consumer segments, according to research by management consulting firm Accenture.

"Online shopping is popular among lower-income Chinese consumers in small and medium-sized cities, as they can shop as conveniently as the high-end consumers in China's biggest cities," said Gianfranco Casati, Accenture's group chief executive for growth markets.

"This trend, driven by the availability of affordable mobile devices, such as smartphones and tablets, is creating new opportunities for growth, particularly as it eliminates the barrier created by a lack of access to physical stores.

"Successfully capturing these opportunities requires companies to place digital at the heart of their strategies, and understand and embrace the demands of the different segments of China's digital



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consumers."

Urban consumers in the low and middle-end segments represent 70 percent of nationwide urban consumers in China and spent approximately \$2 trillion in 2013 — nearly two-thirds of all mass urban consumer spending.

According to Accenture's analysis, spending by low and middle-end consumers could reach \$4 trillion by 2020.

Gong Li, chairman of Accenture Greater China, said, "Winning digital consumers from this lower-end segment is not easy as they are both frugal and concerned with quality.

"Companies chasing growth amongst this segment will need to plan for the lack of business infrastructure and logistics to deliver quality products and services, difficulty generating scale and efficiency from scattered smaller cities near rural areas, and the different expectations of these digital consumers, who not only have lower incomes but also lower brand awareness and loyalty."(Source: China Daily)

Retailers Reap Gains of Growth in Online Food Orders



Along with the rise of digital media, food retail outlets are undergoing a major shift toward online delivery. And a recent heat wave in China has pushed interest in ordering food off the Internet to all-time highs.

"Our orders jumped by 30 percent to 50 percent as

a result of weather conditions this summer, including high temperatures, heavy rainfall and typhoons," said Chen Xiaofei, a public relations associate at ele.me, the largest Chinese online food ordering service, which translates to "Are you hungry?"

The FIFA World Cup 2014 tournament also gave a boost to the company's online and mobile app sales.

Orders at ele.me went up 10 percent during the month-long sporting event, climbing 20 percent higher during the hours between midnight to 6 am, according to the company.

Ele.me's development of a standardized ordering system is giving it an edge in the 50 Chinese cities where it operates.

Founded in 2009, the startup has enjoyed significant rounds of financing, with over \$100 million in seed money, from such investors as dianping.com, a website that provides public reviews of restaurants.

Other firms, such as daojia.com.cn, have also witnessed an uptick in online food orders.

The Beijing-based company saw its profit double year-on-year since it was founded in 2010, and has received funding from investors such as JD.com, a leading Chinese e-commerce company.

Partnering with major chain eateries, including Quanjude Roast Duck Restaurant, South Beauty, Tous Les Jours and Haagen-Dazs, daojia.com.cn said it mainly targets families and that it sees a higher ordering volume on weekends and at dinnertime.

"The orders started to surge when the weather turned hot. Similarly, winter is also a peak season for delivery business as customers are unwilling to go out to eat," said Yang Xiaolai, marketing director at daojia.com.cn.

Yang said the delivery menus are roughly the same as eat-in menus with similar prices.

"Certain dishes, such as sushi, sashimi, seafood or bean products, are unsuitable for delivery, since they easily go bad in high temperatures. Therefore, they are not included in the delivery menus," she said.

China is expected to have nearly 300 million online-to-offline users in 2015, with a market potential of over 270 billion yuan (\$44 billion), according to data from iResearch, a consulting firm that focuses on the Internet industry.

And for many Chinese netizens, ordering food online has already become a habit.

Cheng Yixiang, a student at the University of International Business and Economics, said he usually places food orders online twice a week.

"Compared with eating in the school cafeteria or at restaurants off-campus, ordering online is much more convenient, plus it saves time," Cheng said. (Source: China Daily)



China International Nutrition and Health Summit 2014
2014中国国际营养与健康产业峰会

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Date: November 3rd and 4th, 2014
Location: Beijing, China
Venue: Renaissance Beijing Capital Hotel
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The poster features a background image of the Great Wall of China. On the left, there are three hexagonal inset images: the top one shows golden spheres, the middle one shows a person in a white lab coat working at a computer, and the bottom one shows a pile of white pills. On the right, there is a portrait of a man in a suit speaking at a podium.



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 the nutritional / functional ingredients. The association's major focus is the continued development of China's dietary supplement and nutritional ingredient industry as well as offering business services to global companies wishing to enter the China Market

If you want to learn more about the association and how it can help your business, contact us at: **info@uschinahpa.org**

If have China related news that you would like to share with the association for publication contact us at: **news@uschinahpa.org**

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