



# CHINA UPDATES

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## **Jinan to Promote Accountability System in Health Food Industry**

A slate of health food companies joined a signing ceremony in Jinan, Shandong province, in which the local drug and food authorities announced to launch the accountability system in local health food industry.

The system will help introduce the insurance system to ensure food safety and enhance regulation in local market.

The ceremony is organized by a local insurance company, which researched on the local market to figure out a best way to manage local health food companies. 14 leading health food companies are listed as the first batch to try out the new system. (Source: China Food Safety Journal)

## **Breast Milk Donation Center to Open in Bao'an District**

A BAO'AN hospital is opening a breast milk donation center and encouraging breast-feeding moms to donate milk for sick babies.

Bao'an District Maternal and Children's Hospital is looking for willing moms before establishing a milk bank, which will be the first of its kind in Shenzhen and the ninth in China, Cai Junhong, a director with the hospital's nursing department, said yesterday.

Any mother with a baby younger than 10 months old is allowed to donate breast milk for babies in need.

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“In Bao’an District alone, about 3,000 premature or underweight infants are born every year,” said Cai.

The Bao’an maternal hospital treats about 3,000 newborns in critical condition every year, according to Cai. “Few hospitals in our country can give breast milk to infants in neonatal intensive care units, although we all know the benefits of breast milk to their health,” she said. “Our vision is for every infant in Bao’an to have access to donated human milk when a mother’s own milk is not available.”

The human milk bank promised to screen milk donors. For donors living in the center of Bao’an, doctors can go to their home to collect the milk, said Cai.

Breast-feeding has regained popularity among young parents recently although it became rare as more women became career-focused and were unable to feed their babies. In March 2013, China’s first human milk bank was set up in Guangzhou and after that seven other such banks have been established across China.

Health experts warned that using others’ breast milk has potential health hazards.

“If you are considering feeding a baby with human milk from a source other than the baby’s mother, you should know that there are possible health and safety risks for the baby,” said Zhuang Runsen, a director with Shenzhen’s health promotion association. “Risks for the baby include exposure to infectious diseases — including HIV — exposure to chemical contaminants — such as some illegal drugs — and exposure to some prescription drugs that might be in human milk, if the donor has not been adequately screened. In addition, if human milk is not handled and stored properly, it could — like any type of milk — become unsafe to drink.”

Those who are willing to donate can contact the Bao’an hospital at 2772-0394. (Source: Shanghai Daily)

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## Fresh Food Sold in Supermarket To Be Managed Better

The state food and drug regulator recently released a regulation which targets at package and label of fresh food sold at local supermarkets. It is regarded as the strictest regulation targeting this part of food.

At this moment, the fresh food market lacks for well-established regulation, and problem in food package and label is very severe. Sometimes, the illegal vendors even switch the label on the food package to change expire date of the product.

The new regulation detailed the request on how different food product should write its production date on its package.

The regulators also encourage supermarkets to provide detailed information of meat product regarding when it is put into market.

“some of request in the new regulation can be easily met, but it can be very hard to meet other requests when it comes to sales and purchase habits,” said Mr. Wang, who works at a local supermarket as salesperson. (Source: Hainan Daily)

## China Nutrition and Health Forum Kicked Off

This year's China Nutrition and Health Forum was kicked off in Beijing earlier this month. It was co-organized by China Online News Center, China News Net, China Nutritionist Club and China Nutritionist Training Institution.

The seminar is to focus on children's nutrition and health, and promote national food development. It aims to promote the country's food industry and health habit of the public. (Source: China News Net)

## Philanthropic Health Services to be Delivered to Poor Areas



Maternal health services will be delivered to women in underdeveloped areas as a motorcade of 40 donated medical vans set off from Beijing on Wednesday

The "Mother's Health Express" program, launched by the All-China Women's Federation in 2003, delivers health examinations, treatments and maternal health services to women through "hospitals on wheels."

The 40 vans will reach needy women in Inner

Mongolia, Hebei, Hunan and the Xinjiang Production and Construction Corps.

In 2014, the program conducted 73,000 health check-ups and 29,000 free consultations.

In another development, five ophthalmological operation vans were donated to China Disabled Persons' Federation (CDPF) to offer free cataract operations to patients in poor regions.

The mobile operation services belong to a program jointly organized by the CDPF and the Asian Foundation for the Prevention of Blindness.

Since the program's launch in 1996, it has already provided eye operations for about 400,000 patients. (Source: Global Times)

## Report Finds Men Top Women in Online Shopping

Cheng Xiao, 25, has recently been distracted from his work. He has been immersed in grabbing gift money (competing with others for digital money on social media) on Taobao, China's leading online shopping platform. He is preparing for the Singles' Day shopping festival on Wednesday, an annual shopping bonanza featuring millions of discounted products.

"I keep looking at my watch and calculating how long I should wait before the next round of gift money grabbing on Taobao," said Cheng, a college student who spent about 10,000 yuan (\$1,572) on online shopping.

Shoppers like Cheng are referred to as the "hands-chopping party" on Chinese social media because they almost always regret their splurges and vow to chop off their hands if they impulse shop again, which they inevitably do. Women are usually

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considered to be a major driving force in the prosperity of online shopping, but a new survey has shown, surprisingly, that the number of male online consumers is higher than that of women.

According to a white paper released at the International E-business Expo 2015 in October in Hangzhou, Zhejiang Province by Nielsen, a global marketing and advertising research company, male online consumers account for 55 percent of the total. Meanwhile, a report on China's online shopping market in 2014 released by the China Internet Network Information Center (CINIC) found that among those who frequently shop online, men are about 23 percent higher than women.

Yuan Guobao, a Beijing-based media commentator, has asked his family and friends to supervise him in a bid to curb his shopping tendencies.

"No more snacks! No more books! No more shoes," he vowed.

Yuan spends over 10,000 yuan per month on online shopping, as a channel to release his boredom. "Am I considering chopping my hands? I probably will not. Taobao is almighty, and you can buy everything you want there," Yuan said.

Another CINIC report showed that men spend more money than women on average. Among those who spend more than 10,000 yuan per year, the number of male buyers is twice as many as female ones.

One reason men spend so much lies in what they purchase. Cheng's money is mostly invested in buying 3C digital products (computers, communication, and consumer electronics) including phones and wearable gadgets.

Every time Cheng brings up buying a television to watch football games on, his girlfriend would strongly object, saying, "it is unnecessary to spend so much money on a television since you can watch football games on your laptop."

"She can't understand my desire to watch live football games [on a good television]," he said.

Cheng said many of his male friends are keen on buying clothes, shoes or hats, while contraceptives are also a big expense for those who are not single. Many men spend a lot on online games as a regular expense, too, he said.

Men's shopping habits are greatly different from women's in many ways, according to the male shoppers.

For example, Cheng is proud of being quicker and more decisive in online shopping. When shopping for clothes, Cheng makes the decision very fast, according to him, while his girlfriend is "always browsing from one store to another store and can't make a final decision." (Source: Global Times)



**Tackling food hygiene and misconceptions**

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Tackling the issue of food safety standards in China has been an interesting endeavor for the Sealed Air division in China.

On one hand, Chinese consumers are well-known for raiding supermarkets for imported food items such as baby formulas. On the other hand, these very same consumers believe that meats in local markets, left out in the open for hours and exposed to the elements, are fresher and safer than those that come packaged in clean, airtight bags.

"The perception of 'safe and fresh' for different types of food appears to be very varied in China," said Karl Deily, president of Sealed Air's food care division.

Nonetheless, he is relishing the task to change perceptions, saying that the double standards are "both the challenge and fun of operating in China". Headquartered in North Carolina in the United States, Sealed Air is often referred to as the inventors of the Bubble Wrap, the famous packaging material that protects its contents with a layer of air.

In 2013, Sealed Air initiated a "China Pork" project with the aim of revolutionizing the nation's pork supply chain. According to the project findings, massive amounts of pork are wasted in China, the world's largest consumer of the meat, before it reaches the tables of the country's 1.4 billion population.

Furthermore, as revealed in a report released by China Meat Association in September, the quality of a majority of the pork produced in China is "laggard"—produced and processed in small scale, or by individual farms, poorly packaged and with an incomplete cold chain.

"In China, one of the issues that some of the markets are dealing with is that they haven't completely modernized the whole food chain. Like the animal market, they are still dealing with things like supply chain, refrigeration, distribution, whereas in other markets progressive changes have happened, allowing food processors to focus better," said Deily.

"As the industry continues to develop and the need for food grows, and with the world population expected to go from 7 billion to 9 billion in 2050, we need to improve the shelf life and quality of the things we consume, or we'll end up having to produce 70 percent more food for everyone," he said.

All these factors helped the company decide that they would focus their efforts on improving the distribution and packaging of pork to reduce wastage and improve hygiene. As it turned out, this focus also aided Sealed Air in arresting declining profits amid the economic slowdown in China.

One of the things that Deily and his team can use to their advantage when trying to convince consumers that packaged meat is safer is the new food safety regulations which had taken effect in October.

Also, the company's innovative packaging, which extends the shelf life of pork and prevents cross-contamination, falls perfectly in line with China's ongoing urbanization plans. (Source: China Daily)

## China Healthcare: Missing a Beat

not long after taking the helm of GlaxoSmithKline in 2008, Sir Andrew Witty visited Shanghai to deliver a message along with the heavy investment his company was pouring into China. "For GSK," he said, "the centre of gravity is moving east."



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For a while, the big strategic bets placed on China by GSK and other drugmakers looked like paying off as the country's increasingly affluent, urbanised and ageing population clamoured for access to modern healthcare.



By 2012, the market was growing at an annual rate of 24 per cent and surpassed Japan to become the second-biggest after the US. Then, suddenly, the party stopped. By the middle of this year, growth was down to just 5 per cent — bad news for an industry relying on places like China to offset stagnation in Europe and price pressures in the US.

To some extent, the slowdown reflects the adjustment facing multinationals in China as the economy cools, but the change in fortune for big pharma goes beyond a cyclical downturn. It has been triggered not by a drop in demand — on the contrary, China's need for medicines has never been greater — but by deep structural problems in the country's healthcare system.

Pharma companies are being squeezed as China tries to extract greater value from its \$150bn drugs bill and reform a hospital system whose finances have become unhealthily dependent on pushing pills. As Xudong Yin, chairman of the China arm of Novartis, says: "Whether you look at hospitals or pharma, the whole health system is unbalanced."

The most visible sign of trouble has been the GSK corruption scandal, which has badly derailed Sir Andrew's eastern ambitions. Last year, the UK group was fined Rmb3bn (\$488m), a record Chinese criminal penalty, for bribing doctors and

health officials to prescribe its medicines.

GSK's sales have fallen by almost a quarter since the crisis and the case sent a chill through the market as rivals tightened compliance procedures for fear of similar punishment. However, while others have so far avoided the fate of GSK, corruption remains endemic throughout the Chinese healthcare system, according to multiple people involved in the sector.

Poorly paid doctors can still top up their salaries by taking bribes from drug companies or receiving payments for speaking on their behalf at promotional events. Often these events never take place but the money is paid nonetheless. A Shanghai doctor can double his Rmb10,000 monthly salary by accepting two or three speaking engagements, according to the compliance officer of one western pharma group.

This has left multinational drugmakers facing a dilemma over how aggressively to clean up. Banishing bribery altogether is likely to mean sacrificing sales to local manufacturers still willing to offer kickbacks, but turning a blind eye carries risks should the Chinese authorities choose to make an example of another multinational.

"If you're the general manager of a foreign pharma company in China you're under pressure from headquarters to hit your sales targets but you're also thinking, 'I really don't want to go to jail,'" says one consultant in Shanghai.

GSK has been quickest to reform. The company's salesmen are no longer paid based on the volume of drugs they sell and have been barred from using expense accounts to entertain doctors. Others have been more reluctant to jettison hard-driving sales tactics, but all foreign companies have, to varying degrees, taken steps to halt the most egregious abuses.

"GSK has the unenviable luxury of having hit a brick wall and starting again," says Kent Kedl, senior managing director in China for Control

Risks, who advises pharma companies on compliance. “The others have the challenge of fixing the wing while they’re still flying.”

Some Chinese pharma companies have also come under scrutiny from the authorities but they have been treated lightly compared with GSK. In addition to the threat of local penalties, multinational groups also have to worry about the US justice department and UK’s Serious Fraud Office, which are empowered to punish corruption committed overseas. GSK is under investigation by both. This pressure to halt kickbacks has removed some of the fuel that drove double-digit growth and helps to explain why foreign companies have slowed more sharply than local players

The rapid expansion by foreign drugmakers over the past decade was based on sales of “branded generics”. These are old, off-patent medicines that command a premium over unbranded copies made by local companies. Until recently, hospitals were willing to stump up for the more expensive option — in part because of their more reliable quality but also because they take a cut of the prescription price.

Chinese hospitals draw up to half their revenue from the 15 per cent mark-up they typically levy on

drug sales, creating a structural inducement to prescribe pricey branded drugs even before any sweeteners are offered by sales reps.

Reforms launched this year were aimed at bringing the branded generics gravy train to a halt. New tendering processes are forcing manufacturers to offer discounts across entire Chinese provinces, with further negotiations at local level. Meanwhile, a scheme to scrap hospital mark-ups is under way in 100 major cities, with plans to double its scope.

Executives say they are happy to be weaned off branded generics provided it opens the way for adoption of more modern, patent-protected drugs. There has been an average lag of five to six years between a drug’s launch in the US and Europe and its arrival in China. Efforts are under way to narrow this gap by speeding up the regulatory process.

Hervé Gisserot, GSK’s general manager in China, believes this will make the country more rewarding in the long run but warns: “Price erosion will happen faster than adoption of new medicines.” ( Source: FT)

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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