
INDUSTRY OVERVIEW

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EUROMONITOR REPORT

We commissioned Euromonitor to assess the opportunity and potential of the health supplements industry in Hong Kong, Macau, Singapore and mainland China. A total fee of US\$91,088 (equivalent to approximately HK\$704,738) (exchange rate: USD1=7.74HKD) was paid to Euromonitor for the preparation of the report.

Euromonitor, founded in 1972, is a global research organisation and private independent provider of business intelligence on industries, countries and consumers. In compiling and preparing the Euromonitor Report, Euromonitor used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent’s information and views against those of others:

- Secondary research, which involved reviewing published sources including National statistics and official sources such as Census and Statistics Department Hong Kong, Macau — Statistics and Census Service, Department of Statistics Singapore and National Bureau of Statistics of China, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor International’s own research database.
- Primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.
- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Consumer research, which involved an online survey on the awareness of health supplements in Hong Kong, was jointly run by EMI and a third party survey company, a premier global provider of sampling, data collection and data analytic solutions. For the study, 500 respondents from Hong Kong were collected and analysed.
- Review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the health supplements market and prepare the final report.

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Euromonitor International based the Euromonitor Report on the following assumptions:

- The economy of Hong Kong, Macau, Singapore and mainland China is expected to maintain steady growth over the forecast period;
- The social, economic, and political environment of Hong Kong, Macau, Singapore and mainland China is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of health supplements services in Hong Kong, Macau, Singapore and mainland China during the forecast period;
- Key market drivers such as increase in per capita disposable income, rapid urbanization, rising health awareness, improved distribution network are expected to boost the development of the health supplements market;
- No further changes in policies relating to mainland Chinese’ travels and goods purchase made in Hong Kong;
- Key drivers including increasing disposable income of residents in the Hong Kong, Macanese, Singaporean and mainland Chinese markets, rising health awareness among consumers and ageing population is likely to drive the future growth of Hong Kong, Macanese, Singaporean and mainland Chinese markets of health supplements.
- The following exchange rates were used throughout the report:

<u>Country</u>	<u>Unit</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
China	HKD per RMB	1.15	1.20	1.23	1.25	1.26	1.24
Macau	HKD per MOP	0.97	0.97	0.97	0.97	0.97	0.97
Singapore	HKD per SGD	5.70	6.19	6.21	6.20	6.12	5.64

The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in May 2015 and further updated in December 2015, March 2016, May 2016, June 2016 and July 2016 based on data available at the time of publishing and all statistics in the Euromonitor Report are based on information available at the time of reporting. Euromonitor’s forecast data comes from analysis of historic development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

HEALTH SUPPLEMENTS MARKET IN HONG KONG, MACAU, CHINA AND SINGAPORE

Market Overview

Hong Kong

Robust domestic consumer base for health supplements

While a significant group of people perceive health supplements to address their concern of health, most consumers of health supplement products hope to enhance their energy, immunity and overall health. Although females are typically targeted in marketing efforts, the consumer target groups for health supplements are growing bigger with increasing educational level and ease of access to products. Urban city development has also impacted health on different demographic areas, where late

Note: “Health supplements” mentioned in the “Industry Overview” section do not include tonics and bottled nutritive drinks.

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marriages and pregnancies have increased women’s awareness of the need for pre-pregnancy and pregnancy nutrition, typically using docosahexaenoic acid (DHA), lecithin and calcium products. With life expectancy increasing as well, adults are seeking health supplements in the hope to achieve a more youthful and well balanced health status.

Consumers making more informed decisions

With the high household penetration of internet and smartphones, consumers not only are making purchases of health supplements more frequently via online channels, but knowledge and exposure to the benefits of health supplements has become much easier to research online. Higher education level of the population has also contributed to the increased awareness and cautiousness to health nutrition, where consumers will compare products among brands, country of origin, active ingredients, and other characteristics before making an informed purchase.

Mainland Chinese visitors contributing to sales growth in Hong Kong

Geographic placement of the city-state also plays a major role in the growth of the health supplement retail market, as the influx of mainland Chinese visitors with high purchasing power spend more in Hong Kong, believing that products in Hong Kong are of higher quality and grade. These visitors’ purchasing power is much higher than local residents, often purchasing baskets of higher transactional value.

According to the Euromonitor Report, during the review period from 2010 to 2014, there was an increase in the number of mainland Chinese visitors to Hong Kong, which had a positive impact on the health supplements sales. However, *The Census and Statistics Department Hong Kong* figures indicate that the number of mainland Chinese visitors that visited Hong Kong during January-March period of 2015 has decreased compared to those that visited during January-March period of 2014. With the mainland Chinese visitors contributing significantly to Hong Kong’s health supplements industry, the decline is likely to have an impact on the market.

In fact, the anti-mainlander protests such as “Occupy Central” and “Anti-parallel Trading Protests” have affected the perception of the mainland Chinese towards Hong Kong to a certain extent. This has resulted in the drop of mainland Chinese visitors to Hong Kong. The effect was not so obvious in 2014, but has become more apparent in 2015. The PRC Government’s decision to restrict Shenzhen residents to one Hong Kong visit a week starting April 2015 has also contributed to the drop in the number of mainland Chinese visitors to Hong Kong.

Trade sources have indicated that the declines in health supplements sales due to the drop in mainland Chinese visitors have also become more obvious in 2015 alongside with other consumer goods. Nonetheless, health supplements are still one of the more important products that mainland Chinese visitors consider purchasing during their visits to Hong Kong as some brands can only be found in Hong Kong and products are generally perceived to be safer and of better quality. In addition, the expansion of local customer base has helped the health supplements industry from suffering further declining sales. Although it is difficult to foresee when the Hong Kong tourism industry will be able to see positive growth in the number of mainland Chinese visitors, health supplement retailers have shared that they will be focusing on the local consumer base to maintain sales.

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Impact of the depreciation of Australian dollars and RMB is not so apparent in 2014

Table 1 **2014 Exchange rates of the Australian dollars against Hong Kong dollars (AUD1.0 = HKD)**

Month	Monthly Average	Appreciation/ Depreciation Rate	Quarter	Quarterly Average	Appreciation/ Depreciation Rate
January	6.87	N/A			
February	6.97	1.4%	1	6.96	N/A
March	7.04	1.1%			
April	7.22	2.6%			
May	7.22	-0.1%	2	7.24	4.0%
June	7.27	0.7%			
July	7.27	0.1%			
August	7.21	-0.9%	3	7.17	-0.9%
September	7.01	-2.8%			
October	6.81	-3.0%			
November	6.71	-1.4%	4	6.64	-7.4%
December	6.40	-4.7%			

2015 Exchange rates of the Australian dollars against Hong Kong dollars (AUD1.0 = HKD)

Month	Monthly Average	Appreciation/ Depreciation Rate	Quarter	Quarterly Average	Appreciation/ Depreciation Rate
January	6.26	-2.1%			
February	6.04	-3.5%	1	6.10	-8.0%
March	6.00	-0.7%			
April	6.00	0.1%			
May	6.12	1.9%	2	6.03	-1.2%
June	5.98	-2.3%			
July	5.74	-4.0%			
August	5.66	-1.4%	3	5.63	-6.7%
September	5.48	-3.2%			
October	5.59	2.1%			
November	5.54	-0.9%	4	5.59	-0.8%
December	5.62	1.4%			

2016 Exchange rates of the Australian dollars against Hong Kong dollars (AUD1.0 = HKD)

Month	Monthly Average	Appreciation/ Depreciation Rate	Quarter	Quarterly Average	Appreciation/ Depreciation Rate
January	5.46	-2.8%	1	5.61	0.4%
February	5.55	1.7%			
March	5.81	4.7%			
April	5.94	2.2%	2	N/A	N/A
May	5.67	-4.6%			

Source: Hong Kong Monetary Authority

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The depreciation of Australian dollars, which started in August 2014, has resulted in lower prices of imported health supplements. However, given that Australian dollars had been on the higher side prior to the depreciation and overhead costs for health supplement retailers are quite high in Hong Kong, distributors and retailers have maintained retail prices of products without adjusting them. Retailers are not focused on adjusting the prices of Australian health supplements as consumers who look for Australian health supplements show higher brand loyalty as a result of the quality of products rather than prices.

Table 2 **2014 Exchange rates of the Renminbi against Hong Kong dollars (RMB1.0 = HKD)**

Month	Monthly Average	Appreciation/ Depreciation Rate	Quarter	Quarterly Average	Appreciation/ Depreciation Rate
January	1.28	N/A			
February	1.28	-0.5%	1	1.27	N/A
March	1.26	-1.4%			
April	1.25	-1.0%			
May	1.24	-0.3%	2	1.24	-2.3%
June	1.24	0.1%			
July	1.25	0.5%			
August	1.26	0.7%	3	1.26	1.0%
September	1.26	0.3%			
October	1.27	0.3%			
November	1.27	-0.1%	4	1.26	0.3%
December	1.25	-1.0%			

2015 Exchange rates of Renminbi against Hong Kong dollars (RMB1.0 = HKD)

Month	Monthly Average	Appreciation/ Depreciation Rate	Quarter	Quarterly Average	Appreciation/ Depreciation Rate
January	1.25	-0.5%			
February	1.24	-0.6%	1	1.24	-1.5%
March	1.24	0.3%			
April	1.25	0.6%			
May	1.25	0.0%	2	1.25	0.6%
June	1.25	0.0%			
July	1.25	-0.1%			
August	1.22	-2.6%	3	1.22	-2.0%
September	1.21	-0.6%			
October	1.22	0.9%			
November	1.21	-0.6%	4	1.21	-1.4%
December	1.19	-1.8%			

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2016 Exchange rates of Renminbi against Hong Kong dollars (RMB1.0 = HKD)

<u>Month</u>	<u>Monthly Average</u>	<u>Appreciation/Depreciation Rate</u>	<u>Quarter</u>	<u>Quarterly Average</u>	<u>Appreciation/Depreciation Rate</u>
January	1.18	-1.1%	1	1.19	-1.7%
February	1.19	1.1%			
March	1.19	0.4%			
April	1.20	0.2%	2	N/A	N/A
May	1.19	-0.87%			

Source: Hong Kong Monetary Authority

The depreciation of RMB did not have an obvious impact on the health supplement market of Hong Kong in 2014 as the depreciation only started to happen around December 2014. Health supplement retailers in Hong Kong have indicated that the impact has become more noticeable in 2015 with there being fewer mainland Chinese visitors visiting Hong Kong. Nonetheless, they have also indicated that this has not only resulted in the depreciation of RMB leading to the weakened purchasing power of the mainland Chinese consumers, but it is rather a combination of events such as anti-mainlander protests such as “Occupy Central” and “Anti-parallel Trading Protests”.

Macau

Small but growing market in Macau for health supplements, fuelled by mainland Chinese visitors

With only a population of slightly over half a million residents, Macau has a small local market for health supplements. Nonetheless, the industry’s positive growth is reflected by the increase in number of pharmacies in Macau, catering to the growing demand of consumers for health related products including health supplements. The market structure and local demand may be small, but still similar to Hong Kong in many ways, such as consumer demographic, preferences and spending.

Additionally, with its close proximity to Hong Kong and China, Macau enjoys an inflow of consumers from the recently developed tourism industry, especially from mainland Chinese visitors on a short entertainment and shopping holiday within the region. The major bulk of visitors, the mainland Chinese, bring with them their consumer preferences and shopping habits, hence driving demand for health supplements like fish oil, berry products, milk thistle, royal jelly, Ganoderma Spore-Pollen, Cordyceps, Mycelia and chicken essence.

China

China’s health supplement market, which started to flourish as a result of the PRC policies, still has a large potential for growth

The health supplement market has experienced decades of development in China. The macro factors driving this industry have been the country’s rapid economic development since the PRC policies of opening-up and its acceptance into the World Trade Organization, both of which have brought foreign brands and encouraged the domestic brands to diversify in the market. Before the 1980’s, traditional supplements were the main health supplement in the China market. After the 1990’s, royal jelly, together with vitamins and bottled nutritive drinks were introduced as an alternative, which brought the market into its initial development stage. The introduction of Nutralite, a brand of vitamins

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and supplements in 1998 sparked a new era in the industry of health supplements. Currently, the industry of health supplements in China still has large growth potential, compared to those in developed countries.

Currently, prominent market players in China include Amway (Nutrilite), By-Health, Perfect, Lee Kum Kee (Infinitus), and Tiens. Fish oil, berry, royal jelly, protein supplements, folic acid, and supplements with minerals or vitamins are relatively common among various types of health supplements. In addition, some Chinese manufacturers apply high-tech extracted natural plant essences, combined with traditional Chinese herbs.

The health supplements are formulated for various age groups as well as varying nutritional requirements. By age and gender, the main consumer segments can be classified into adults, pregnant women, and geriatric consumers. In addition, there are a great deal of people who have special dietary and nutritional requirements if recovering from a surgery or an injury to replenish deficiencies of specific nutrients, etc. More specifically, elderly people tend to take supplements with minerals, such as calcium and Vitamins C and E; some middle-aged women prefer to consume a diet with fibre, aloe, citrus, folic acid, and even primrose; women who are pregnant or nursing usually consume a handful of health supplements such as folate, fermented cod liver oil, probiotics and supplements with minerals or vitamins.

Singapore

Market for health supplements shows growth promise as preference shifts from vitamins to supplements

The retail market for health supplements in Singapore presents a good opportunity for growth as Singaporean consumers are gradually shifting focus from single vitamin supplements to multi-benefit and naturally-sourced health supplements such as ginseng, fish oil, fruit berries, chicken essence, milk thistles and green tea. The popularity in health supplements stemmed from a combination of popular product endorsements from local celebrities and promotional campaigns by retailers such as Watsons to improve brand and nutritional awareness to Singaporean consumers.

The market structure for health supplement is slightly consolidated. Key players such as General Nutritional Centre Inc. (GNC) and USANA Health Sciences have high market share in health supplement market. Local distributors such as Cambert FE, Ocean Health and NTUC Unity Healthcare have garnered a growing market presence by targeting consumers of the middle-and-lower income groups. This strategy allowed local distributors to provide health supplements to consumers at affordable prices. As price competition began to heat up in 2014, prices of health supplements are expected to fall in the short term.

Besides income, consumers of health supplements also vary with age and gender groups. In general, consumers aged between 15 years old to 25 years old are likely to consume green tea, berries and chicken essence supplements while consumers aged between 26 years and above tend to consume fish oil, ginseng and milk thistles supplements. Since 2010, fish oil has enjoyed growing popularity across consumers of all age-groups.

At present, berries are popular products among the young and working groups. Berries combine the benefits of antioxidants, micronutrients and phytonutrients into a single package, thereby enhancing its appeal towards Singapore’s busy working population. Royal jelly products are mainly consumed by working groups and senior citizens. In 1990, its popularity was due to celebrity endorsement campaigns. Its popularity has slowly declined over the past 10 years due to negative publicity arising from its potentially allergic ingredients. Consequently, this setback resulted in distributors and retailers’ cutting back on royal jelly’s marketing campaigns.

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Performance of Health Supplement Market

Hong Kong

Table 3 Health Supplement Retail Market Size in Hong Kong in HKD million (Retail Value Sales, Retail Sales Price), 2010-2014 Historic and 2015-2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010-14
Health supplements	3,276.4	3,581.0	4,556.0	4,371.0	4,136.0	6.0%
Milk thistle	72.9	76.6	80.5	85.1	90.1	5.4%
Fish oil	147.5	152.0	156.3	160.6	164.8	2.8%
Berry	67.9	72.4	77.3	82.6	88.5	6.8%
Squalene	38.7	39.6	40.4	41.3	42.1	2.1%
Royal jelly	39.1	40.1	41.0	42.0	42.9	2.3%
Others (collectively)	<u>2,910.3</u>	<u>3,200.4</u>	<u>4,161.0</u>	<u>3,959.5</u>	<u>3,707.7</u>	<u>6.2%</u>
	2015	2016	2017	2018	2019	CAGR 2015-19
Health supplements	4,061.3	4,038.4	4,039.2	4,067.8	4,133.2	0.4%
Milk thistle	95.5	101.5	108.1	115.2	122.9	6.5%
Fish oil	169.0	173.1	177.3	181.3	185.4	2.3%
Berry	95.0	102.3	110.3	119.0	128.6	7.9%
Squalene	42.9	43.7	44.4	45.1	45.8	1.7%
Royal jelly	43.8	44.8	45.7	46.6	47.6	2.1%
Others (collectively)	<u>3,615.0</u>	<u>3,573.0</u>	<u>3,553.6</u>	<u>3,560.5</u>	<u>3,602.9</u>	<u>-0.1%</u>

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of health supplements manufacturers/distributors/retailers in Hong Kong

Hong Kong's health supplement market to be mainly driven by store-based retail sales

During the historical review period, the retail sales value for health supplements in Hong Kong experienced a growth from HK\$3,276.4 million in 2010 to HK\$4,136.0 million in 2014 as a result of the strengthening of domestic demand, in addition to influx of mainland Chinese visitors. However, in 2013 and 2014, the overall health supplement market of Hong Kong started to experience a decline due to weakened sales of major direct selling brands. USANA in particular, experienced steep declining sales in 2013 and 2014 due to their shift in focus from the Hong Kong market to the China market. With the company's presence having been substantial in the market, the overall health supplements retail sales were, as a result, impacted negatively.

The retail sales value for Hong Kong's health supplement market is expected to continue declining in the beginning of the forecast period due to the continuous decline in the sales of the direct selling sector, in addition to the decrease in the mainland Chinese visitors. As the sales from the direct selling sector touches its floor and stabilises towards the end of the forecast period, with the domestic demand expected to experience a minute but healthy growth, the retail sales of the health supplement market is expected pick up during the course of the forecast period.

Among milk thistle, fish oil, berry, squalene and royal jelly, fish oil enjoys the largest share

Milk thistle, fish oil, berry, squalene and royal jelly products only occupied 10.4% of the health supplement market of Hong Kong in 2014. However, among the five categories, fish oil enjoyed the largest sales split of 4.0% in 2014. Fish oil was followed by milk thistle (2.2%), berry (2.1%), royal jelly (1.0%) and squalene (1.0%). During the forecast period (2015 to 2019), all five product categories are expected to occupy larger shares in the health supplement market.

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Milk thistle and berry to continue experiencing healthy growth

By product category, the retail sales value for milk thistle reached HK\$90.1 million in 2014, witnessing a CAGR of 5.4% during the historical review period (2010 to 2014). This has been attributed to milk thistle’s popularity among both male and female consumers. Milk thistle is expected to experience a healthy growth of a CAGR of 6.5% in the forecast period (2015 to 2019).

Berry supplements have been experiencing a relatively higher growth rate compared to other reviewed categories. The retail sales value of the category grew from HK\$67.9 million to HK\$88.5 million between 2010 and 2014, enjoying a CAGR of 6.8%. Hong Kong consumers regardless of age and gender, berry products is postulated to enjoy a health rate of growth and reach a retail sales value of HK\$128.6 million in 2019.

Fish oil and royal jelly, categories of relatively longer history and slower growth rates

Fish oil retail market size is larger than of milk thistle, berry, squalene and royal jelly. As the product category is a mature one with suitability for a broad range of customers, the growth rate is stable and lower compared to the other reviewed product categories. The product category is expected to continue increase at a CAGR of 2.3% in the forecast period (2015 to 2019).

Royal jelly products have an established history but have a smaller market base in Hong Kong, with a relatively lower growth rate due to the limited consumer segments. The product category’s retail sales value reached HK\$42.9 million in 2014, displaying a CAGR of 2.3% during the review period from 2010 to 2014. Nonetheless, trade sources have indicated that the category has been benefiting from the rise in income among female consumers. The retail sales of royal jelly are expected to experience a relatively slower, but positive CAGR of 2.1% in the forecast period from 2015 to 2019.

Sales of squalene reflect growth despite the high price point

In 2014, the retail value sales of squalene reached HK\$42.1 million, a result of a CAGR of 2.1% during the historical review period (2010 to 2014). Squalene is a product category that is well received by female consumers. It is also known to improve the immunity and act as a good source for omega fatty acids. Due to its high price point, retail sales are not as high as other product categories. Nonetheless, squalene still enjoys a relatively lower and stable but positive CAGR of 1.7% in the forecast period.

Macau

Table 4 Health Supplement Retail Market Size in Macau in HKD million (Retail Value Sales, Retail Sales Price), 2010-2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Health supplements	56.9	91.1	115.0	150.7	163.4	30.2%
	2015	2016	2017	2018	2019	CAGR 2015–19
Health supplements	138.9	134.0	137.4	140.8	145.0	1.1%

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of major health supplements manufacturers/distributors/retailers in Macau

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Strong historic growth in health supplement market slowing, forecasted to shrink in 2015

Macau’s health supplement industry has seen strong growth in the retail market, with a CAGR of 30.2% for 2010 to 2014. Its retail market size was HK\$56.9 million in 2010, and since has grown to HK\$163.4 million by 2014, which is a three times growth in market size within four years. Most of the market growth during this four year review period was significantly attributed to the year 2011, when tourism growth for mainland Chinese visitors was at its highest, boosting consumer spending in the health supplement market. Subsequent years saw a slightly slower growth, following increased spending power and disposable income by mainland Chinese visitors, shifted holiday visits to Asian countries further away.

An overall drop in market size is expected for this year, 2015, and forecasted to see slow recovery growth until 2019, not reaching levels as high as 2013 and 2014. Retail market size is expected to only be HK\$145.0 million in 2019, with CAGR of 1.1% in this forecast period. The recent anti-corruption crackdown, launched in mainland China by President Xi Jinping is the main reason for the forecasted market shrink, as mainland Chinese visitors are the major growth driver for demand of health supplements in the Macau market. Without the visitor’s high spending power, sales from mainland Chinese visitors are expected to decrease significantly, even with a pickup in local demand, which is not able to compensate for the decreased in tourist sales.

Fish oil and berry products are top-selling health supplements in Macau market, but limited for royal jelly

Traditionally a popular health supplement with the mainland Chinese, fish oil is one of the top selling product categories among health supplements in the Macau market. Also, the increasing demand from mainland Chinese visitors under the two-child policy may stimulate the demand of child-related health supplements.

Berry inclusive health supplements are also one of the top selling products in the Macau market, and can be found in most retail stores compared to other health supplement products. Berry products are popular due to the broad consumer base, from children to the elderly, and both male and female genders. Royal jelly products are present in the Macau health supplement market and found in most stores, but are limited in choice despite it having a longer market history. The association of royal jelly benefits to beauty maintenance may have limited its customer base, where royal jelly products are seen to be popular with the older female consumers. The mainland Chinese visitors under the two-child policy may also stimulate the demand of child-related health supplements.

China

Table 5 Health Supplement Retail Market Size in China in HKD million (Retail Value Sales, Retail Sales Price), 2010–2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Health supplements	<u>48,074.3</u>	<u>56,336.2</u>	<u>63,377.6</u>	<u>76,985.1</u>	<u>87,586.8</u>	<u>16.2%</u>
	2015	2016	2017	2018	2019	CAGR 2015–19
Health supplements	<u>97,667.4</u>	<u>105,610.1</u>	<u>113,695.5</u>	<u>121,790.1</u>	<u>129,687.1</u>	<u>7.3%</u>

Source: Euromonitor estimates from desk research and trade interviews with a sample of major health supplements manufacturers, distributors and retailers in mainland China.

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Chinese dietary market has large potential, but there will be challenges to overcome

The market for health supplements has been growing steadily in China. During the review period, the retail sales value had increased from HK\$48,074.3 million in 2010 to HK\$87,586.8 million in 2014, witnessing a CAGR of 16.2%. This growth is contributed to by the promotion of big health industry and the increasing health consciousness of consumers.

The total market size for health supplements is expected to reach HK\$129,687.1 million in 2019, with a CAGR of 7.3% for the forecast period (2015–2019). The market for Chinese health supplements still has large potential for further development. In addition, although still at an early stage to draw conclusions, the government’s decision to implement the two-child policy may have a positive effect on the demand of health supplements.

Nonetheless, the government and participants need to collaborate with each other to ensure a sustainable development considering there are many challenges on the way. A list of a few of the challenges includes: the imperfect regulation and supervision makes some unauthorised and unqualified health supplements accessible to consumers, which would dampen the enthusiasm of those manufacturers who follow the rules; according to the Research Center for Development & Regulation of Food and Drug Industry under the Chinese Academy of Social Sciences, this market is quite segmented with a majority of very small manufacturers. It is difficult for the industry to break through technology barriers without a certain number of large-scale enterprises to lead the investment and research and development.

Fish oil and royal jelly have experienced a relative longer development history

Fish oil and royal jelly are two common health supplements which have experienced a long development in the China market. They enjoy high-level recognition among consumers as being good for both self-consumption and gift giving. They have a large market base and the annual increments are significant. However, they may face growth pressure in the future, due to some limitations which have accumulated over time. The fish oil market in China is scattered with too many players, some of which are unqualified. The product of royal jelly requires upgrading and technological innovation considering that the market for royal jelly has been in intense homogeneous competition.

Berry is expected to have large potential with its high nutrition level

The health supplement of berry was relatively late in entering the China market compared with other health supplements. The number of consumers with demand and consciousness of this supplement has been growing fast in recent years. According to the statistics of Tufts University, among the 60 vegetables and fruits with antioxidant effect, blueberry ranks as the first. The high nutrition level provides the market for berry in China with great potential to expand in the future.

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Singapore

Table 6 Health Supplement Retail Market Size in Singapore in HKD million (Retail Value Sales, Retail Sales Price), 2010-2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Health supplements	1,490.3	1,771.8	1,853.9	1,895.6	1,934.7	6.7%
	2015	2016	2017	2018	2019	CAGR 2015–19
Health supplements	1,883.0	1,925.6	1,967.5	2,010.1	2,053.5	2.2%

Source: Euromonitor Passport, Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of major health supplements manufacturers/distributors/retailers in Singapore

Singapore’s health supplement market boosted by National Healthy Lifestyle Programme (NHLP)

The historic retail value sales of health supplements in Singapore had a track of good growth. In 2010, retail value sales were HK\$1,490.3 million and in 2014, retail value sales went up to HK\$1,934.7 million with a CAGR of 6.7%. Growth was moderately fast in the historic period as sales in health supplements receive a boost from new market entrant such as NTUC Unity, followed by new product releases in the fish oil and berries categories. However, the driving factor was a growing consumer base in the health supplement market. This growth was spurred by government effort to promote healthy living via the National Healthy Lifestyle Programme (NHLP), which is launched every year across all media channels to inform consumers in making a conscientious effort to improve their health and personal well-being.

Due to the slow global economic growth, the forecast retail value of sales of health supplements in Singapore is expected to see a slight decline for this year, 2015, followed by a gradual recovery to surpass 2014 retail value sales by 2017. In 2015, retail value sales are estimated to be HK\$1,883.0 million and by 2019, retail value sales may reach up to HK\$2,053.5 million with a CAGR of 2.2%. Growth is estimated to be slow in the forecast period as sales in health supplements might face competition from next generation vitamin supplements such as Swisse Ultivite which combine the benefit of vitamin and health supplements into a single consumable capsule. While the Health Promotion Board (HPB)’s Healthy Living Master Plan (HLMP) is constantly improving to make health supplements available to all Singaporeans, the lack of product innovation may hinder the growth of health supplements. Manufacturers have to innovate and improve their product lines to keep up with local competition.

Market Drivers, Constraints and Entry Barriers of the Health Supplement Market

Hong Kong

Market Drivers of the Health Supplement Market

Rising wealth and increased health consciousness spur investments in health supplements

With an increase in annual disposable income with a CAGR of 6.0% between 2010 and 2014, consumers in Hong Kong are enjoying a rising purchasing power, better able to invest in healthcare products such as health supplements. Easy access to these supplements being sold in various retail outlets allows consumers from all income groups to purchase their supplement needs. Local health-

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conscious consumers, who already purchase supplements regularly, would tend to purchase supplements in promotional multi-packs with the rise in purchasing power, while lower-middle income consumers may consider starting on products to supplement their health.

Another driver is the increased level of health consciousness among consumers, through higher education, exposure to government-led health campaigns, as well as increased promotions by healthcare providers and suppliers in the industry. These offline and online channels have contributed to the increased acceptance of health supplements amongst Hong Kongers.

Hong Kong’s retail market sales driven by visitors from mainland China

Additionally, the proximity to China has driven mainland Chinese visitors to Hong Kong to purchase health products have contributed to the overall rise in sales of health supplements. With the perception of having better quality products in Hong Kong, as well as lower prices due to absence of taxes on imported goods, mainland Chinese would buy products in bulk for friends and family back home. At the same time, with significant purchases made by the visitors from mainland China, Hong Kong health supplements is affected when visitors arriving from mainland China falls. Health supplements retailers of Hong Kong have shared that anti-Mainlander protests such as “Occupy Central” and “Anti-parallel Trading Protests” have led to declining sales. Nonetheless, the steady increase in local demand has been able to offset the impact.

Store-based retailers driving sales of vitamins and health supplements in Hong Kong

Sales through store-based retailers have had a positive influence on the market size of the Hong Kong’s health supplement market during the review period. The negative growth of the overall Hong Kong health supplement market size in 2013 and 2014 represented in Table 7 has been mainly attributed to the declining sales of direct selling, a non-store retailing channel.

Table 7 Store-Based and Direct Selling of Vitamins and Health Supplements in Hong Kong in HKD million (Retail Value Sales, Retail Sales Price), 2010–2014 Historic

	2010	2011	2012	2013	2014	CAGR 2010–14
Store-Based Retailing	2,249.7	2,413.1	2,569.6	2,932.4	3,283.1	9.9%
Direct Selling	<u>1,979.6</u>	<u>2,209.8</u>	<u>3,097.0</u>	<u>2,688.4</u>	<u>2,178.3</u>	<u>2.4%</u>

Note: Data includes sales of both vitamins and health supplements. Data only on health supplements is unavailable.

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of vitamins and health supplements manufacturers/distributors/retailers in Hong Kong

In fact, sales of vitamins and health supplements through store-based retailing, which includes the sales through retail outlets such as chained drugstores, health supplement/health food shops, other drugstores and pharmacies, increased from HK\$2,249.7 million in 2010 to HK\$3,283.1 million in 2014, increasing at a CAGR of 9.9%. With over 70% of the sales of vitamins and health supplements driven by the sales of health supplements rather than the sales of vitamins, it can be suggested that the sales of health supplements through store-based retailing has been growing rapidly. This has further been confirmed by trade sources who have shared that the sales of health supplements through stores, in addition to internet retailing channels are expected to experience growth in the upcoming future. The increase in the household penetration of internet and smartphones has especially had a positive influence on the online sales of health supplements. On the other hand, sales of vitamins and health supplements through direct selling channels started to show declining figures in 2013.

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Market Constraints of the Health Supplement Market

Lack of a dedicated regulatory body governing the health supplements industry of Hong Kong

Hong Kong’s comparatively lax regulation governing the registration and sale of health supplements may result in quality lapses, as registration and classification of products is conducted through the labelling of ingredients on the packaging. Hence, it is not uncommon for local consumers to check out the country of origin for the health supplements. As such, manufacturers may misrepresent or mislabel product ingredients, selling products claiming non-existent health benefits or even harming the health of consumers.

Vulnerable to the impact of media and advertising

Health supplements are susceptible to trends as portrayed by the media or advertising, hence making sales trends difficult to predict. Sales of these product areas may see increased popularity for specific brands or products, with marketing tools focused on clinical evidence of efficacy, strong company reputation, country of origin of product, or even celebrity endorsement affecting consumer decisions before purchase.

Entry Barriers of the Health Supplement Market

Good branding and reputation of competitors pose a significant entry barrier to newcomers

Competition against reputable brands that have been in the local market for a longer period would be a significant barrier for new brands of products to overcome and gain market traction. The existing health supplement brands in Hong Kong (including the brands distributed by the Company, “Organic Nature” and “Top Life”) distribute similar ranges of products that often include naturally-sourced ingredients into their products. In order to successfully enter the market, new comers would have to spend significant time and resources to build their brand and reputation, to reach new consumer segments or convince existing consumers of their product benefits. Hence long-term sustainable investment would be needed for capital, as well as knowledge and experience of the industry to penetrate the market effectively.

High capital and operating costs needed to gain brand’s exposure in the market

In addition to the capital needed to enter the market, high operating costs in terms of rental and distribution costs will be a consideration for newcomers. With limited retail space in a space-crunched city such as Hong Kong, rental costs are notably high, especially if stores are to be located in high-traffic areas at shopping malls and railway stations. It would require networking with retailers to obtain prime space which is always in high demand. In addition, selling products through major retail channels can be difficult in Hong Kong due to the high entry cost such as listing fees. Nonetheless, it is beneficial for a company to retail their products through store-based channels not only because Hong Kong consumers feel more assured purchasing products at retail stores, but it allows for greater brand exposure as well.

Macau

Market Drivers of the Health Supplement Market

Health supplement growth fuelled by demand from mainland Chinese visitors

The main driver of health supplements market is the increased demand of healthcare products from mainland Chinese visitors, who travel to Macau for a gambling or entertainment trip. According to Statistics and Census Service of Macau (DSEC), 67.4% of the visitors to Macau in 2014 were from

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mainland China, making them the majority of the tourist population. These visitors who travel have a higher spending power, are able to purchase higher value health products, and in bigger quantities compared to the domestic market.

Local demand for health supplements pick up as a result of the rise in health consciousness

Riding on the trend of aging population and extending life expectancy, Macanese consumers are being more health conscious, and purchasing more health supplements. As a result, the demand for health supplements among the local community has been gradually increasing over years.

Market Constraints of the Health Supplement Market

Small market in Macau susceptible to external shocks and changes in demand

A major constraint on the health supplement market in Macau is the small population, which results in a very small domestic market for any product or service outside of the entertainment industry. The population growth is fuelled mainly by foreign workers from the region, who are usually on a work permit for lower income jobs, having lower purchasing power and disposable income to spend on supplementary goods. Hence demand for health supplements is still reliant and vulnerable to the external demand from tourists in Macau. Following the PRC Government’s crackdown on corruption and excessive government spending, demand for goods and services have slowed across all industries in Macau, due to decreased tourism numbers and more conservative spending from mainland Chinese visitors.

The Macau economy is also heavily reliant on a particular industry — gambling and tourism, posing a high risk of operating in businesses outside of these industries in Macau. Its high focus on tourism and gambling could mean less support and plans for development in other areas from the government, which can result in stagnation. Any business, including the health supplement industry would be dependent on the tourism industry performance, as majority of sales will be based on the tourism demand than the local market demand.

Difficulty in hiring staff for retail stores in job competitive market

Thirdly, due to the highly competitive job market, it would be difficult to hire staff to run the business in Macau, as most locals and even foreigners are hired by the casinos and hotels in the tourism industry. Many other industries face difficulty finding quality staffing, as they are unable to match the higher pay offered by the casinos and gambling resorts for top talent.

Entry Barriers of the Health Supplement Market

Adherence to regulatory processes and lack of distribution points are strong entry barriers for new businesses

To conduct a commercial business involving food in Macau, would require manufacturers, importers or distributors to fulfil all the drug testing, labelling, advertising and food safety regulations before sale. This may take considerable time and effort through the regulation process, deterring new businesses from entering the market.

Another challenge would be the difficulty in finding local distributors for retailing health supplements to the local market. There are very few local distributors available in Macau, while larger chains tend to have their distribution offices in Hong Kong, but not in Macau. It may be easier to enter the Macanese market by going through distributors in Hong Kong, who have the market

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knowledge and information to distribute in Macau. Possible challenges that could be faced are distributors having non-competition agreements with existing clients, and thus are unable to distribute other brands' products.

Instead of selling products through distributors, market entrants may try to enter the market by setting up their own retail stores, which they then face the difficulty of obtaining retail space. With most commercial land designated for the development of future hotel or entertainment properties, finding retail space outside of these areas with high footfall might pose a challenge, notwithstanding the fact that the rental costs will be high rental costs.

China

Market Drivers of the Health Supplement Market

The environment of big health industry urges the further development of the health supplement industry in China

'Big health industry' according to the China Health Care Association, is a sum total of products, services and communication activities which maintain, repair and promote the health industry in China, was raised due to increasing health consciousness and requirements, and which has received extensive attention and government support in recent years. It includes pharmaceutical and healthcare products, health supplements, medical devices, casual healthcare services, health consulting and many other manufacturing and service areas related to personal health. Considering the increasing ageing population, the deepening of medical reform, the gaps in the health industry and increasing consumer initiatives to pursue a healthier lifestyle in China, the “big health industry” has brought new impetus and opportunity for the whole health care industry to expand its business coverage in a broader and deeper perspective. Manufacturers of health supplements such as By-Health are encouraged to further invest, while traditional pharmaceutical enterprises are proactively entering the industry of health supplements.

High incidence of chronic and sub-health problems calls for increasing demand for health supplements

As the result of unhealthy and stressful lifestyles and environmental issues, the incidence of chronic and sub-health problems is higher than before. The incidence of these complaints is growing fast, especially among young and middle-aged people. In recent years, people have begun to look not only for treatments but also for prevention through total-wellness solutions including exercise, balanced diet and health supplements. Therefore, the number of people consuming health supplements is increasing.

Increasing public awareness towards personal health encourages the enthusiasm of manufacturers in the health supplement industry

Due to the improvement of living standards and high level of competitive pressure, people have shown increasing health awareness. The more people care about their health, the more likely people are to pay for their health. It has been found in recent years that people have health examinations more often than they would before and are more willing to buy health supplements. People's growing health consciousness will mobilise the enthusiasm of manufacturers in the health supplements industry.

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Rising purchasing power urges people to pay more for health

Customers are more likely to consume more health supplements when they have more disposable income considering health supplements are not necessities in people’s daily lives. When people have affluent disposable income, they tend to invest more in their health in order to take more preventative steps and be proactive by purchasing various premium products, and health supplements would be a wise choice for people with such concerns.

More diversified and optimised sales channels stimulates the expansion of the health supplements industry

Health supplements are sold through a myriad of channels. Major sales channels such as pharmacies, supermarkets and hypermarkets and personal care stores are amongst the most prevalent channels for the sale of health supplements. Some companies also target doctors, nutrition consultants, and gym instructors to promote their brands. Promoting and selling health supplements through internet retailing is another trend in the market. Among the diversified sales channels, internet retailing has demonstrated a remarkable growth. The development of online shopping platforms, such as TMALL and JD, ensures the ease of access to the internet. In addition, the rise of online overseas purchasing has further stimulated consumer needs for health supplements. Chinese consumers tend to believe that food and nutrition produced overseas have better quality, after a series of domestic food safety scandals. The online overseas flagship stores enable the consumer to purchase directly from foreign health supplement producers, thus mitigating consumer concerns on product quality and effectiveness. Many foreign health supplement producers, such as Blackmores, tested the waters by launching their products online, and generated considerable sales.

Diversified and optimised channels help the industry players to reach more consumers and educate them more about the products, with the result that consumers may become more interested and confident in health supplements. Therefore, the development of channels allows ambitious companies to capture more potential customers.

Market Constraints of the Health Supplement Market

Safety and effectiveness concerns over health supplements marks a major constraint for the health supplement industry

There have been a number of controversies over the safety and effectiveness of health supplements. Some people believe health supplements might not act in a natural way and optimise wellness as the products claim, as the ingredients of health supplements are not all from natural elements and some are even synthetic. In addition, some studies also question the health benefits of health supplements. Overly taking health supplements might even cause some disorders. All these controversies will shake the image of health supplements in the consumer market.

The lack of unified and thorough regulation governing the industry of health supplements has a negative effect on market order improvement

Currently, manufacturers in this industry follow the rules mainly according to the Provisions of Healthcare Food issued in 1996 and Food Safety Law issued in 2009 and updated in 2015, instead of a specific and definite regulation of health supplements. As mentioned by some trade participants, sometimes they might find that current regulations cannot help them solve all problems very well. For example, both the manufacturers and even some regulators find that it is hard to clarify what exactly should be considered as health supplements. Therefore, some manufacturers may sell the products as common food, which can save the time and cost to register the products as healthcare food, and avoid stricter regulation and supervision. This would allow questionable products into the market, hurt

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consumer interests and discourage the manufacturers who proactively follow the regulations. If the deficiencies in regulation cannot be solved effectively, the future development of the health supplements industry might be restricted.

Exaggerated marketing and publicity do harm to the healthy development of the health supplements market

For some health supplement products, manufacturers tend to use subjective exaggerations and hyperboles, even inflating claims or boasting, and make vague claims about the product which cannot be proved or disproved but can lure customers. These behaviours are called ‘puffery’, which might grasp consumers’ attention for a while and lead to consumption, but ‘puffery’ should never be viewed as a good and healthy approach. Problems have already arisen because these marketing tricks have made consumers feel that they have been cheated, and they lose confidence in similar products. The frequently seen exaggerated marketing or ‘puffery’ advertisement does significant harm to the healthy development of the health supplements products market in the long term.

Entry Barriers of the Health Supplements Market

Policy barrier makes the registration process time-consuming and complicated for manufacturers

Health supplements as healthcare products need to acquire the registration license from China Food and Drug Administration (CFDA), according to the Registration Regulation of Healthcare Food (Trial Implementation). In addition, according to the Food Safety Law, foods with claims of special health functions shall not cause acute, sub-acute, or chronic hazard to the human body. The label and instructions shall not include disease prevention or treatment functions, and the content must be true and indicate clearly the suitable and unsuitable groups, functional ingredients or significant ingredients. Product functions and ingredients shall be consistent with those indicated in the label and instructions. All these regulations make the registration process time-consuming, constituting an administrative barrier.

Distribution barrier increases difficulty for new entrants to access the existing market

For health supplement manufacturers in the field of indirect sales, the major sales channels are pharmacies, drugstores, hypermarkets and supermarkets. While distribution resources, especially those premium resources, are very limited, producers who entered the market earlier have already established sound relationships with channel partners. It is hard for new arrivals to take over in a short time from the pioneers who have market channel advantages after a long time of cultivation and investment. As for the field of direct sales, new entrants must apply for a direct selling license before they step in to the direct sales market of health supplements. The Regulation on Direct Selling Administration, which was issued by the State Council on 10 August 2005, sets high standards for companies who want to apply for a direct selling license.

Investment barriers hinder new entrants to the Chinese health supplements market

To develop and produce a health supplement product, manufacturers need to go through multiple processes, including product research and development, stability study, successive toxicological and functional test, etc., in order to get the approval and gain credibility. All these processes call for large capital and talent investment, which may be a barrier for new entrants, especially those of small-scale.

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Singapore

Market Drivers of the Health Supplement Market

Increasing purchasing power will lead to higher spending on health supplement products

Another driver in the health supplement market is the growing purchasing power of Singapore consumers. The growth in household disposable income provides families and individuals the means to access and purchase health supplements in local pharmacies and departmental stores. Existing health conscious consumers may increase their quantities of supplements purchased whereas consumers in the lower-middle-income segment are likely to include health supplements to complement their daily meals.

Government’s health initiatives help to drive a culture of healthy eating and healthy living

Complementing the growth in purchasing power, health marketing campaigns by the Singapore Health Promotion Board (HPB) and retailers such as Watsons and NTUC Unity have helped to establish a culture of healthy living in Singapore. These efforts have helped to promote healthy living among Singaporeans through healthy eating and exercise. Health supplements are included under the banner of Singapore’s Healthy Eating campaigns and have since, enjoyed consumers’ preference as both standalone health products and complementary products to their daily meals.

Market Constraints of the Health Supplement Market

Singapore’s slow population growth will influence demand for health supplement products

Singapore’s slow population growth will have a profound impact on the market potential of health supplements. Although growth factors attributed to a busy lifestyle had a positive impact on the historical CAGR of health supplements, slow population growth will restrict the potential volume sales of health supplements. Manufacturers and distributors have to focus on areas of innovation and quality improvement to differentiate their product lines and cater to the different needs of a growing health-conscious market.

Lack of a strict regulatory body overseeing the health supplements market of Singapore

The market for health supplement is vulnerable to compromise in quality checks. Since health supplements in Singapore are not tightly regulated by the government, there is little incentive for manufacturers and distributors to ensure that supplements sold to consumers have demonstrated health benefits. In other circumstances, this lax regulation may lead to lapses in safety checks wherein prohibited or harmful substances are included in the supplement packaging but excluded in its labelling.

In 2014, consumers’ confidence in health supplements was shaken by nation-wide alerts from the Health Science Authority (HSA) due to health dangers arising from the consumption of Nutri Drops Grapefruit Diet and Mr. Zack Powerbro. As Singaporean consumers are relatively risk-averse, product scares are likely to create an industry-wide spill-over effect wherein a drop in demand in the affected supplement is likely to affect the demand of the overall health supplements as well. Consequently, manufacturers and distributors in the health supplement industry may experience a demand pinch as consumers are unlikely to put themselves at risk to enjoy health benefits of the health supplement products.

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Entry Barriers of the Health Supplement Market

A saturated market and a preference established brands pose strong barriers for new entrants

Although forecast figures indicate growth potential for Singapore’s health supplement market, minimal product innovation and a relatively small population size indicate that the health supplement market is easily saturated. New entrants targeting Singaporean consumers cannot rely on pricing strategy to compete. Companies need to rely on product innovation and marketing to introduce new product lines and compete on niche consumer segment such as the health enthusiast community in Singapore.

Brand name and reputation represent the strongest barrier of entry in the health supplements market. Singapore consumers rely on brand name to derive a perception of the products’ qualities and its perceived benefits. At present, leading brands such as GNC, Ocean Health and Blackmores have established good presence in the Singapore market due to product advertisements in the mainstream media as well as endorsements by celebrities. Since building brand name and reputation takes time and resources to develop, new brands penetrating into the Singapore market may face the barrier of having to spend considerable resources and time to establish a reputable brand known for its quality and benefits.

Strict regulations on multi-level-marketing discourage new entrants from expanding their sales network

Another barrier of entry is the enactment of Multi-level Marketing and Pyramid Selling (Prohibition) Act. This Act was initially enacted to prevent the establishment of multi-level marketing in Singapore. The Act serves as a deterrent for new entrants, who are aspiring to become USANA and Herbalife in promoting their health supplements via this channel.

Competitive Landscape of Health Supplement Market in Hong Kong

Overall Health Supplement Market

The health supplement market in Hong Kong has been competitive due to the high number of brands, with varied product offerings, that cater for health benefits and consumer segments. The fragmented market consists of both established brands as well as new entrants. Major brands often compete on advertising, often having a local celebrity endorsement for the brands, promotions and through network distribution. In 2014, Pharmanex was ranked number one in terms of retail value sales of health supplements in Hong Kong, followed by Vita Green and USANA. Organic Nature is ranked eighth, occupying 3.2% of the total market share.

The Group, the local brand owner of Organic Nature, also distributes Top Life and Superbee brands. Top Life, similar to Organic Nature is a health supplement, personal care and beauty product brand. Truth & Faith’s personal care products include facial care (facial moisturisers, lip care) and toothpaste products. Superbee is a brand of honey products.

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With Top Life estimated to have 0.8% of the health supplement market share in Hong Kong, the Group is estimated to occupy a total of 4.0% of the health supplement market in Hong Kong.

Table 4 Market Rankings by Retail Value Sales for Health Supplement in Hong Kong, 2014 Historic

Ranking	2014
1	Pharmanex
2	Vita Green
3	Cheong-Kwan-Jang
4	GNC
5	USANA
6	Lifepak
7	Nutrilite
8	Organic Nature (Market share: 3.2%)
9	Eu Yan Sang
10	Herbalife

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and health supplements manufacturer/distributors/retailers in Hong Kong

Milk Thistle

Although there are various brands present in the milk thistle market of Hong Kong, the market is rather consolidated in a sense that only a couple players capture majority of the market share. Among the brands that have milk thistle products, Organic Nature comes in first in terms of retail value sales in 2014, occupying approximately 25.9% of the total market share.

Table 5 Market Rankings by Retail Value Sales for Milk Thistle Products in Hong Kong, 2014 Historic

Ranking	2014
1	Organic Nature (Market Share 25.9%)
2	GNC
3	Doctor’s Choice

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and milk thistle product manufacturers/distributors/retailers in Hong Kong

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Fish Oil

The market for fish oil is highly fragmented, with a large number of branded and non-branded fish oil products found in the market, of different price ranges. This product category is highly competitive for health supplement companies and can be found in majority of health supplement brands. Although there are a lot of brands found for fish oil, the majority of the market share is concentrated to a few players. In the fish oil category, GNC ranks first in terms of retail value sales, followed by Organic Nature, occupying approximately 13.7% of the total market share.

Table 6 Market Rankings by Retail Value Sales for Fish Oil Products in Hong Kong, 2014 Historic

Ranking	2014
1	GNC
2	Organic Nature (Market Share: 13.7%)
3	Doctor's Choice
4	CATALO

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and fish oil product manufacturers/distributors/retailers in Hong Kong

Berry

Berry health supplement products can be further categorised by the types of berries, such as bilberry and cranberry. The most popular and recognised berry product would be bilberry, for its benefits in maintaining healthy eyes in the age of increased digital use of electronic products. Bilberry products has seen significant growth across major brands, and is expected to see further growth, with a broad base of consumers purchasing the products, from children to elderly consuming the product.

Organic Nature is estimated to have the highest retail value sales for berry products in Hong Kong, occupying approximately 17.0% of the total market share, followed by MEIRIKI-JP and CATALO. COMVITA and GNC are also other popular brands for berry products.

Table 7 Market Rankings by Retail Value Sales for Berry Products in Hong Kong, 2014 Historic

Ranking	2014
1	Organic Nature (Market Share: 17.0%)
2	MEIRIKI-JP
3	CATALO
4	COMVITA
5	GNC

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and berry product manufacturers/distributors/retailers in Hong Kong

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Squalene

There are relatively fewer players competing in the Squalene market of Hong Kong and the market is rather consolidated. Organic Nature enjoys the largest brand share in terms of retail value sales of squalene products occupying approximately 24.0%, of the total market share, followed by SQUINA, MEIRIKI-JP and FANCL in the respective order.

Table 8 Market Rankings by Retail Value Sales for Squalene Products in Hong Kong, 2014 Historic

Ranking	2014
1	Organic Nature (Market Share: 24.0%)
2	SQUINA
3	MEIRIKI-JP
4	FANCL

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and Squalene product manufacturers/distributors/retailers in Hong Kong

Royal Jelly

The royal jelly market of Hong Kong is relatively less competitive compared to other health supplement categories, and there are fewer players competing with each other. COMVITA, MEIRIKI-JP and Organic Nature are the top three brands in terms of retail values sales of royal jelly products. Organic Nature occupies approximately 16.1% of the total market share.

Table 9 Market Rankings by Retail Value Sales for Royal Jelly Products in Hong Kong, 2014 Historic

Ranking	2014
1	COMVITA
2	MEIRIKI-JP
3	Organic Nature (Market Share: 16.1%)
4	CATALO
5	FANCL

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and royal jelly product manufacturers/distributors/retailers in Hong Kong.

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The Group distributes over 93 health supplements, honey, and personal care and beauty products. Among the 93 products, over 60 are health supplement products, around 20 are honey products, and around 10 are personal care and beauty products. Brands under the Group include Organic Nature, Top Life and Superbee. Organic Nature’s milk thistle, fish oil, berry, squalene and royal jelly are the top five products of the Group and accounted for over 40% of the Group’s revenue in 2014.

Hong Kong’s overall health supplements market remained highly fragmented in 2014. The selected five product categories (i.e. milk thistle, fish oil, berry, squalene and royal jelly) collectively took up 10.4% of the health supplements market share in Hong Kong. The selected five product categories are representative of the Group’s standing in the market as these categories constitute more than 40% of the Group’s revenue in 2014.

The Group has over 50 other health supplement products, which collectively accounted for around 50% of the Group’s total revenue in 2014. The Group’s other health supplement constitute a wide variety of product categories, examples of which include propolis extract, evening primrose oil, shark cartilage, calcium citrate and garlic oil. In 2014, these other health supplement products of the Group occupied 1.9% of the overall health supplements market of Hong Kong.

PERSONAL CARE AND BEAUTY PRODUCTS IN HONG KONG

Personal care and beauty products are the accumulation of facial care and toothpaste. Facial care is defined as the aggregation of acne treatments, facial moisturisers, anti-agers, facial cleansers, toners, face masks, and lip care. Toothpaste includes all standard, therapeutic, children’s, baking soda and liquid toothpastes and those whitening toothpastes not marketed as tooth polishers.

Table 10 **Personal Care and Beauty Products Market Size in Hong Kong
in HKD million (Retail Value Sales, RSP),
2010–2014 Historic and 2015–2019 Forecast**

	2010	2011	2012	2013	2014	CAGR 2010–14
Personal care and beauty products	5,965.9	6,335.9	6,713.0	7,139.7	7,556.9	6.1%
						CAGR 2015–19
Personal care and beauty products	7,699.2	7,832.1	7,954.8	8,066.7	8,168.1	1.5%

Source: Euromonitor estimates from desk research and trade interviews with a sample of personal care and beauty product manufacturers, distributors and retailers in Hong Kong.

Retail value sales of personal care and beauty products in Hong Kong increased throughout the review period from HK\$5,965.9 million to HK\$7,556.6 million and are expected to continue seeing positive growth of a CAGR of 1.5% over the forecast period.

The Group also retails various personal care and beauty products in Hong Kong. The company occupies a total of 0.01% of the personal care and beauty products market under Organic Nature and Top Life brands in Hong Kong.

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HONEY IN HONG KONG

Honey is a sweet semi-liquid spread made by honey bees, available liquid or set and originating from the honeycomb. This excludes pollen and honeycomb products.

Table 11 Honey Retail Market Size in Hong Kong in HKD million (Retail Value Sales, RSP), 2010–2014 Historic and 2015–2019 Forecast

	CAGR					
	2010	2011	2012	2013	2014	2010–14
Honey	138.4	151.5	164.4	177.6	190.0	8.2%
	CAGR					
	2015	2016	2017	2018	2019	2015–19
Honey	<u>198.5</u>	<u>199.8</u>	<u>200.6</u>	<u>201.4</u>	<u>203.4</u>	<u>0.6%</u>

Source: Euromonitor estimates from desk research and trade interviews with a sample of major honey manufacturers, distributors and retailers in Hong Kong.

In Hong Kong, honey is consumed on many occasions; not just for breakfast, but also in sauces, with a number of consumers also treating honey as a common substitute for sugar. Retail value sales of honey in Hong Kong increased throughout the review period from HK\$138.4 million to HK\$190.0 million and are expected to continue seeing positive growth over the forecast period. This is not only because honey is widely adopted for uses other than as a spread, such as cooking, or to be mixed with drinks.

The Group is the local brand distributor of Superbee in Hong Kong. Superbee occupies a total of 1.8% of the honey market in Hong Kong.

AUSTRALIAN MANUFACTURERS OF THERAPEUTIC GOODS

In Australia, the Therapeutic Goods Administration (TGA) under the Department of Health administers the *Therapeutic Goods Act 1989*, and is in charge of regulating therapeutic goods, which include “prescription medicines, vaccines, sunscreens, vitamins and minerals, medical devices, blood and blood products.” It is mandatory for Australian-based manufacturers of therapeutic goods to obtain a licence to manufacture. In order to obtain a license, it is necessary for a manufacturer to comply with the Good Manufacturing Practice (GMP), which the TGA defines as “a set of principles and procedures which, when followed by manufacturers of therapeutic goods, helps ensure that the products manufactured will have the required quality.”

The TGA allows Australian health supplement manufacturers to focus on different manufacturing steps of the production process instead of engaging in full product manufacturing within one manufacturer. For instance, a manufacturer can be engaged in the packaging and labelling of health supplement products or the release for supply. It is also possible that one manufacturer be in charge of the whole product manufacturing process. All manufacturers involved in the manufacture of health supplements are required to have a license.

The Office of Manufacturing Quality (OMQ) is in charge of the inspecting and licensing of Australian manufacturer of therapeutic goods for supply in Australia in order to ensure that products are manufactured in accordance with GMP. Manufacturers of therapeutic goods in Australia must go through the following process in order to obtain a license:

- **Online application:** Application includes full details of the manufacturer including the types of products that are manufactured at each location to be licensed or certified

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- **On-site inspection:** On-site inspection can be conducted by single inspector or inspection teams in order to examine that the manufacturer’s actual practices, documentation and records are in line with the relevant quality management system requirements
- **Corrective action if applicable**
- **Follow-up**
- **Inspection close-out**
- **Licensing/certification decision:** Once the license is granted, products will be included in the Australian Register of Therapeutic Goods (ARTG). This signifies that the manufacturers are legally allowed to supply products in Australia
- **Ongoing inspection activities**

There are a number of Therapeutic Goods Orders that are related to the labelling and packaging standards of therapeutic goods. Products cannot be supplied unless they meet the applicable standards with regard to labelling and packaging. Labels of therapeutic goods must be in the English language and in durable, legible lettering that is no less than 1.5 millimetres in height (except for the ARTG number which must be no less than 1 millimeter in height). Items that need to be included in the labelling are not limited to the following but include:

- The product name
- Name(s) of all active ingredients and their quantity
- In some cases, excipient information
- Batch number
- Expiry date
- Relevant warning/advisory statements
- Storage conditions
- Directions for use
- In most cases the indication for which the product is used

Before therapeutic goods are released to the Australian market, the last manufacturer in the supply chain must certify that “each production batch has been produced and controlled in accordance with the requirements of the marketing authorisation and any other regulations relevant to the production, control and release of medicinal products” (The PIC/S Guide to Good Manufacturing Practice for Medicinal Products). This process is known as the “release for supply” and TGA’s Guidance on Release for Supply addresses the policies, roles and responsibilities that need to be carried out by manufacturers. An Authorised Person (AP) is in charge of the certification, and the AP is authorised by the manufacturer who is responsible for ensuring “the AP’s level of education and expertise is appropriate using the training arrangements in the manufacturer’s quality management system,” which is “verified by the TGA during inspections” (Therapeutic Goods Administration).

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According to the Therapeutic Goods Administration of the Australian Department of Health, there are 395 Australian manufacturers of therapeutic goods as of March 2016. As multiple intermediary manufacturers can take part in the process of manufacturing therapeutic goods in Australia, not all registered manufacturers are involved in full product manufacturing. For instance, based on the manufacturer count in the Therapeutic Goods Administration of the Australian Department of Health, there are 75 manufacturers licensed for full product manufacture, and 55 manufacturers licensed for packaging, labelling and release for supply.

Overall, it is common for manufacturers to focus on different manufacturing steps of the production process instead of engaging in full product manufacturing within one manufacturer in Australia. Through such structure, manufacturers can focus and carry out their individual responsibilities while complying with the laws and regulations. In addition, since intermediary manufacturers can be more focused on particular processes rather than having to handle the entire manufacturing process, this can generally lead to cost saving benefits.