

China e-commerce rules evolving, says soaring Blackmores

Simon Evans

Blackmores chief executive Christine Holgate says she is encouraged by the latest decision by Chinese authorities on e-commerce rules, which sparked a 13 per cent share rally on Tuesday, but it is unlikely to be a "full stop" because regulations will keep evolving.

Blackmores shares soared beyond \$113 on Tuesday, while infant formula maker Bellamy's Australia experienced an even bigger jump in percentage terms of 16 per cent, adding 60¢ to close at \$4.42.

Specialist dairy firm The a2 Milk Company also had a solid climb of almost 5 per cent after Chinese authorities delayed indefinitely tough new cross-border e-commerce laws, which had threatened to curtail the flow of Australian vitamins, milk powder and cosmetics into booming markets on the Chinese mainland.

Ms Holgate said on Tuesday the ruling was "another positive step from the Chinese government" on the e-commerce rules, but she believed like regulations in all of the countries which Blackmores sells into they were likely to continue to evolve.

Ms Holgate said the ruling from the Ministry of Commerce in China appeared to relate to 15 free trade zones in China. The arrival of Chinese

Premier Li Keqiang in Australia on Wednesday for talks on upgrading the free trade agreement represented a chance for further clarity on the direction of China's e-commerce regulations.

"It's a great opportunity for all of us in Australia to get clarity on what the intent is," she said.

An announcement of proposed new laws by China on April 8 last year triggered a sell-off in China-focused consumer stocks listed in Australia because of uncertainty about the potential of products being imported into China being blocked. It also caused a slowdown in the amount of products being purchased in Australia from supermarkets and pharmacies by the daigou traders who had been scooping up large volumes of vitamins and infant formula and on-selling them for hefty profits on online sites in China. Blackmores shares reached \$220 in early January 2016 on soaring demand from Chinese consumers.

Also on Tuesday, ASX-listed brewer Broo Ltd said another plank in its China strategy had fallen into place with its Chinese partner Jinxing Beer Group Co having started producing Broo Premium Lager from its brewery in China. But Broo chief executive Kent Grogan said the alcohol level had been backed

off from 4.6 per cent to 4.0 per cent to better suit the preference of Chinese consumers.

