China Hospital Industry Development and Investment Report, 2012-2015

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STUDY GOAL AND OBJECTIVES

This report provides the industry executives with strategically significant competitor information, analysis, insight and projection on the competitive pattern and key companies in the industry, crucial to the development and implementation of effective business, marketing and R&D programs.

REPORT OBJECTIVES

- To establish a comprehensive, factual, annually updated and cost-effective information base on market size, competition patterns, market segments, goals and strategies of the leading players in the market, reviews and forecasts.
- To assist potential market entrants in evaluating prospective acquisition and joint venture candidates.
- To complement the organizations' internal competitor information gathering efforts with strategic analysis, data interpretation and insight.
- To suggest for concerned investors in line with the current development of this industry as well as the development tendency.
- To help company to succeed in a competitive market, and

METHODOLOGY

Both primary and secondary research methodologies were used in preparing this study. Initially, a comprehensive and exhaustive search of the literature on this industry was conducted. These sources included related books and journals, trade literature, marketing literature, other product/promotional literature, annual reports, security analyst reports, and other publications. Subsequently, telephone interviews or email correspondence was conducted with marketing executives etc. Other sources included related magazines, academics, and consulting companies.

INFORMATION SOURCES

The primary information sources include Company Reports, Ministry of Health of the People's Republic of China and National Bureau of Statistics of China etc.

Abstract

China hospital industry has maintained stable growth in recent years, thanks to the market demand stimulus and stable influx of national investment. As of late 2011, China had a total of 21,979 hospitals, with the AAGR of 2.7% during 2005-2011. In particular, the proportion of non-public hospitals grew to 39.4%. In 2011, the revenue of China hospital industry totaled RMB1.2451 trillion, with the CAGR as high as 19.7%, while the gross margin was no more than 3.8%.

In recent years, Chinese government has unveiled a series of favorable policies to boost the reform of public hospitals, encourage and guide social capitals to rush into hospital industry. This move resulted in further maturity of investment operation mode of China hospital industry. Since 2010, privately-owned hospitals including Hong Kong Phoenix International Investment Group, YMCI, SL PHARM, Xi'an Kaiyuan Investment Group Company Limited and Jinling Pharmaceutical Company Limited have been restructured through trusteeship and M&A by public hospitals, while foreign enterprises have run their business in China via joint business, joint stock and joint venture, with orientation to Chinese top-grade medical market. Cases in point include United Family Hospital and ParkwayHealth.

Cases of Social Capital Flowing to Public Hospitals, 2010-2012

Social Capitals	Year	Way of Restructuring	The Restructured	Hospital Class
Hong Kong Phoenix International Investment Group	2010	Trusteeship	Beijing Mentougou Hospital	Upper Second-class General Hospital
YMCI	2010	66% Share Acquisition	The First People's Hospital Of Kunming	Upper First-class General Hospital
Wuhan Asian Heart Hospital	2011	Trusteeship	The Seventh Hospital Of Wuhan City	Upper Second-class General Hospital
SL PHARM	2011	80% Share Acquisition	Xinxiang Hospital East District (under construction)	First-class General Hospital
APMG	2011	Acquisition	a restructured public hospital in Beijing	Second-class General Hospital
Hong Kong Phoenix International Investment Group	2011	Trusteeship	Beijing Jingmei Group General Hospital	Lower First-class General Hospital
Tasly Pharmaceutical Group	2011	Trusteeship	Pu'er Central Hospital	First-class General Hospital
Xi'an Kaiyuan Investment Group Company Limited	2011	100% Share Acquisition	Xi'an Gaoxin People's Hospital	Upper First-class General Hospital
Jinling Pharmaceutical Company Limited	2012	68.33% Share Acquisition	Third Affiliated Hospital of Nanjing Medical University (YiZheng Hospital)	Upper Second-class General Hospital

Source: ResearchInChina *China Hospital Industry Development and Investment Report, 2012-2015*

At present, the specialized hospitals in China are much favored in the marketization trend and little exposed to policy risk, thus, they are one of highlights when it comes to social capital investment. In 2011, the number of specialized hospitals in China surged from 2,682 in 2005 to 4,283, among which privately-owned ones accounting for 59.4%. And the revenue generated by the specialized hospitals amounted to RMB139.1bilion, with the CAGR in 2005-2011 reached 22.2% while the average gross margin realized 12.1%. In particular, the gross margin generated by ophthalmic hospitals and Cosmetic hospitals claimed 14.7% and 12.8%, respectively. In 2011, the gross margin of Aier Eye Hospital Group, TC Medical, and Mayinglong Pharm, the leading privately-run specialized hospitals in China, reported 55.3%, 47.2% and 39.4%, respectively.

The report highlights the followings:

➢China hospital industry market overview: number of hospitals of all sorts, operation, status quo of medical service, competition pattern, etc.

➢current development of specialized hospitals in China: overall operation, operation of ophthalmic hospitals, stomatological hospitals, plastic surgery hospitals, beauty hospitals, maternity hospitals, Children's hospitals, and tumour hospitals as well as their development outlook;

➢development prediction of China hospital industry: status quo of China medical security, boosting urbanization's influence on China healthcare market, supply and demand of medical resources in 2015;

➢investment in China hospital industry: related polices on social capital flowing into the hospital industry, operational efficiency comparison between privately-owned hospitals and public ones; present operation, investment, mergers and development prediction of four major privately-owned specialized hospitals in China, six listed companies that have accessed into the hospital industry, and two foreign hospitals.

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