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# 1. The Opportunity

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## 1.1 Executive Summary

The China growth story is well known – this particular proposal focuses on a major opportunity arising from rising disposable incomes, increased expenditure on health, changing family structures, application of some western technology and systems, specific regional characteristics and more liberal government attitudes towards foreign investment. The case is made for investment in hospitals, not through the conventional green field route, but by acquiring and modernising existing hospitals, improving the standards of quality and patient care, marketing the enhanced services, specifically cardiothoracic surgery, and utilising the available land for related health and care-giving activities.

The proposal demonstrates that market entry is not only possible at a lower initial and final cost than for a newly constructed urban hospital, but the land area available for related health and care-giving developments is greater, enhancing the potential for ongoing additional profit generating ventures on the site.

This approach can bring with it some additional risks but these have been carefully evaluated and strategies developed to manage these successfully, utilising highly qualified local personnel with extensive foreign experience. The systemic risks in investing in China have also been addressed in depth.

The hospital to be acquired was built in 1999 and is profitable. The business case revolves around making it more so, and, through utilising the full potential of the site, realise excellent returns. This investment model is the prototype for other hospital ventures in the region and beyond.

While definitive figures are always problematic, the venture will require CNY120m (USD15.0m) capital to acquire and refurbish one medium size (200 bed) hospital, which is projected to generate excellent annual returns, especially from the establishment of a high-profile cardiothoracic unit. The current level of profitability and projections do not include the discretionary opportunity to capitalise on site development for other healthcare related activities.

The health sector offers attractive opportunities in many countries with the trend towards a greater proportion of national income being spent on health. In China, the high underlying growth makes this even more pronounced and this will undoubtedly allow investors, provided they are selective, access to high returns.