

# The patient will succeed:

**How to execute a successful  
aged care transaction in China.**

## **Australian International Education Conference**

1.2.B. VET | Aged care in China: where are the opportunities for VET?  
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# The Patient will succeed

## Executing a successful aged care transaction in China

### Agenda:

- China's favourable demographics and trends for Health and Aged Care
- Opportunities and services in demand
- Barriers, challenges and risks
- Pathway to success

# The patient will succeed:

## Executing a successful aged care transaction in China

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# Favourable demographics and trends for aged care

# China's favourable demographics and trends for Health and Aged Care

- China's current population is 1.38 billion people and comprises the largest ageing population in the world.
- Currently 209 million people aged 60 years and over and 22 million people aged 80 years and over.
- While the population of China is set to stagnate (peaking at 1.4 billion people in 2020), the proportion of people aged 60 years and above will rise from 15.2% to 36.5% while people aged 80 years and over is expected to increase from 1.9% to 8.9%

	2015	2030	2050
<b>Total Population</b>	<b>1.38 billion</b>	<b>1.42 billion</b>	<b>1.34 billion</b>
Population over 60	209 million	358 million	492 million
Population over 80	22 million	41 million	120 million

# China's favourable demographics for Health and Aged Care

- Largest ageing population in the world and life expectancy trending higher
- Impact of one child; declining ability to support parents and ageing workforce
- Growing middle class and improved living standards leading to demand for higher quality health care
- Family values around elderly respect and desire to provide a caring and comfortable environment
- Continuing urbanisation, transitory nature of work and realities of rapidly ageing population
- Government policy to encourage private investment in health and aged care and freeing up of foreign involvement - ChAFTA
- Increased spending on health with chronic diseases proliferating due to changing lifestyles and preferences
- Economic rebalancing from investment to a sustainable consumption-driven model with urban job creation remaining strong

# The Long Boom: What China's Rebalancing means for Australia's Future.



**2016 Australia China Trade Report**, "The Long Boom: What China's Rebalancing Means for Australia's Future".

This Report is first future-focused economic modelling on the correlation between the Australian and Chinese economies.

The Report indicates that Australia's services sectors are set to benefit from China's changing economy with the substantial growth of its middle class and the transition of its economy opening up new export opportunities.

It projects that Australia's construction, healthcare, education, tourism and financial services sectors are set to potentially benefit from China's rebalancing economy in the years to come.

While China's rebalancing economy will present enormous opportunities, Australian businesses will need to adapt to the preferences of Chinese consumers and be far more attuned to the cultural and business nuances of the market.

This Report marks the start of more constructive and positive dialogue about the trade relationship between our countries.

Sponsored by ShineWing Australia for the Australia China Business Council who commissioned the report.

Produced as a joint initiative between the Monash University Business School and the Australian Centre for Financial Studies (ACFSA – a not-for-profit consortium of Monash University, RMIT University and Finsia)..

## The Long Boom: What China's Rebalancing Means for Australia's Future

The Chinese economy is worth more now than when GDP growth was at its highest.

GDP growth rate in 2006  
**12.7%**

This growth generated additional nominal output of US\$460 billion

GDP growth rate in 2015  
**6.7%**

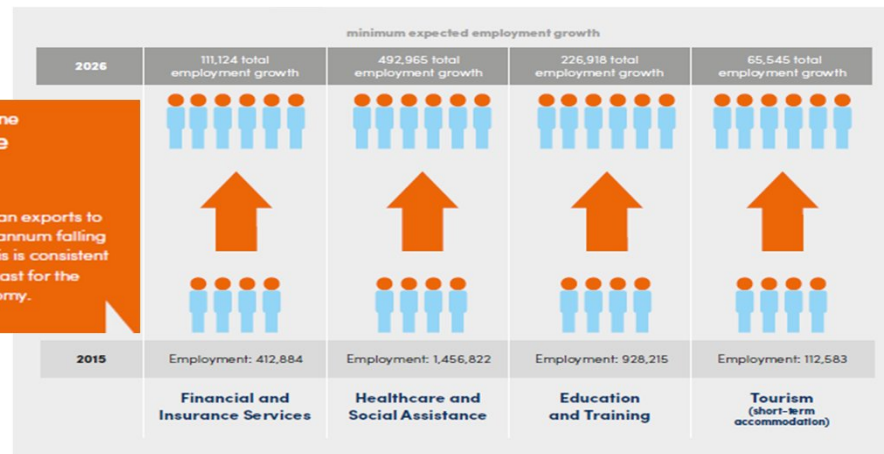
This growth generated additional nominal output of US\$552 billion

**109**  
million adults

China's middle class became the largest in the world, and now comprises (by one estimate) some 109 million adults (almost five times the size of Australia's population)

### Scenario One Baseline

Growth rate of Australian exports to China less than 9% per annum falling away to 5% by 2025. This is consistent with the OECD forecast for the Chinese economy.



Under relatively conservative scenarios for Chinese growth, our modelling suggests that by 2025, China could represent

**42-47%**  
of the healthcare and social assistance export market

**36-41%**  
of the educational export market

**30-35%**  
of the short-term accommodation (tourism) export market

**16-19%**  
of the financial services export market

**11-13%**  
of the construction export market



# Opportunities

| Shine Wong |  
AUSTRALIA

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# Opportunities in China

## Background and recent developments

There has been large-scale investment in the development of aged care facilities by the public and private sectors in recent years

- Government:
  - Low to high care facilities
  - Basic, low end institutional style facilities
- Private sector:
  - With no fully developed service models, there is a large variance in the type and quality of services
  - Significant interest in conversion of existing residential accommodation, and high end integrated retirement village and aged care model
  - No Government funding but incentives provided for new developments, and little or no regulation
- Fastest growth occurred in well-developed provinces and municipalities where the pressures of ageing populations are greatest with preferred locations that have good transport infrastructure for accessibility to major city
- The aged care industry in China is still in its infancy; significant shortage of aged care facilities and the support services industry is just emerging.
- Industry standards, workforce skills, aged care training, facilities management, quality assessment and insurance services are insufficiently established to meet the future needs of the elderly.

# China Train Travel Map



- Ordinary Train
- High Speed Train



# Opportunities

## Australia's export edge

- Reputation as world class provider of education, health and aged care products, services and expertise
- Established quality education, health and aged care facilities, services, systems, IP and know how
- Shared experience of dealing with needs of growing ageing population
- Challenge of providing care across a country the size of Australia, has produced technologies and skills relevant to China
- Unprecedented market access under ChAFTA
  - Australia is only country to have Health and Aged Care as part of FTA
  - Provides largest access to investment (incl. WOFEs) and services
  - Elimination of Chinese tariffs on health products within 4 years
- AUD depreciation improving export competitiveness
- Exporter optimism and enthusiasm for China despite the challenges.

# Opportunities

## Aged care in Australia - Overview

- The aged care industry in Australia is part of the Healthcare Industry, providing daily living assistance, nursing and healthcare services and operating on a primarily Government-funded model.
- It is highly regulated and can be separated into three main sectors: home and community care, residential aged care and acute hospital care.
- Australia's has a developed service models provided by Public, Private & NFP operators with combination of Government funding and user pays:
  - Low to High Care aged care facilities with various offerings including Dementia, Palliative, Respite & Transition care
  - Home and community care services
  - Retirement Villages and Independent Living Units (User pays)
- The model is a continuum of care with services provided to cater for the needs of seniors throughout their life:



# Opportunities

## Potential customers and partners

Australian companies have successfully provided master planning, interior design, consulting, operational and management services to clients in:

- Guangdong, Beijing, Shanghai, Jiangxi, Chongqing, and Jiangsu

Recent interest in Australian aged care expertise has come from:

- state-owned enterprises
- real estate developers
- property management companies
- life insurance companies
- healthcare and aged care investors and operators
- local design, vocational educational and training institutions

(source: Austrade Report: The Health and Aged Care Industry in China, A guide for Australian Business – Sep 2016)



# Opportunities Consulting Services in demand

- Development of business model and models of care specific to China
- Investment and funding models
- Architectural design services including master planning and interior design
- Project management, equipment and technology fit-out
- Operational, quality, security and safety standards
- Management and service delivery systems
- Facilities and asset management
- Human resource planning, training and development

# Barriers





## Barriers, challenges and risks

- **China's** aged care is still at an early stage of development and business risks could be high for new entrants, especially those with insufficient resources, local knowledge or experience
- Developing an effective business model for China that may be very different to the Australian model: assessing business risk and timeframe for achieving a ROI.
- Dealing with local business customs, language and cultural differences and expectations
- Potential partners with differing views of aged care, forms of collaboration and desired outcomes
- Early mover advantage for now but for how long; growing competition from international and local players – USA, Singapore, UK, Japan, France, Germany, global insurance companies

# Barriers, Challenges and Risks

- Understanding the legislative and regulatory framework and layers of government
- Notion of agreement, misunderstandings and disputes
- Protecting Intellectual Property and Know How
- Getting paid and repatriating profits to Australia
- Economic and political climate/sentiment in China and Australia

# Pathway to success Case Studies

# Pathway to success

## Are you ready?

### Export ready business:

- Public, Private & NFP education, health and aged care operators and service providers with a well defined strategic plan to grow and export to China that have access to the additional capital required for expansion.
- Established and mature ACFs and RVs in Australia with quality facilities, leading operating and management systems.
- Recognised Educational Institutions / Training Organisations that offer quality health and aged care courses and training.
- Establish a strong network to access valuable information, make business connections, obtain support (Austrade, Business Victoria, EMDG)
- Find a trusted Chinese partner to represent your mutual interests: has access to market intelligence, understanding of language, culture and business customs, legal and regulatory system and Government contacts.
- Seek assistance from advisors with a local presence with understanding of the local market, legal and regulatory framework
- Take a long term view with realistic expectation of achieving a ROI
- Requires the will, financial capacity, patience and persistence to see it through?
- Build on complimentary strengths, clarify how you will work together, and the role and responsibilities of each party to help determine the appropriate structure for collaboration - WOFE, Contractual JV, Equity JV, management or service contract

# Pathway to success

## Case studies

### Partnership between Aveo China and Tide Holdings China:

- Aveo China is a subsidiary of ASX listed Aveo Group Australia, are an experienced developer, operator and manager of retirement villages. Since 1991, Aveo's portfolio has grown to 75 retirement villages and four aged care facilities across Australia offering a wide choice of living options.
- Tide Holdings is a Chinese property developer and has land holdings in Shanghai and brings to the collaboration the ability to deliver their retirement communities. Tide has strong relationships with local stakeholders and suppliers including government authorities and construction companies.
- Aveo China and Tide Holdings entered into partnership to develop and operate retirement villages in China. The company, Aveo China Limited, was founded in 2012 and is based in Shanghai, China.
- Aveo Group has a 30 per cent interest in the joint venture company which owns the village and operates the facility.
- As part of the collaboration, Western NSW TAFE has entered into an arrangement with the Aveo Group to deliver aged care training to the local staff. Training is provided to local staff by "blended delivery" involving teachers doing masterclasses in China, as well as using online teaching platforms, with additional training for senior people and management provided in Australia.

### Two Projects:

- Aveo China Tide Health-land Campus in Zhujiyajiao (near Shanghai):
  - High end facility that will be home to 2500 residents and more than 600 staff spread across 76 low-rise buildings
  - Focus on better health for seniors with medical support from recognised hospitals and career planning for local staff
- Yanqing Retirement Village (74 kilometres from Beijing):
  - excellent transport infrastructure, located in a green area with favourable climate conditions and air quality.



# Aveo China

Shanghai, Zhujiajiao District

Tide Healthland Campus -Click to view website



# Case Study

## Aveo China - Zhujiajiao

### **Aveo China Tide Health-land Campus in Zhujiajiao (near Shanghai):**

- High end continuum of care retirement community based on Australian best practice with Chinese characteristics pitched at the city's wealthy.
- Located at Zhujiajiao, convenient to the subway, freeways, only 30 mins from Hongqiao Airport making it easily accessible
- Accommodating 2500 residents and more than 600 staff spread across 76 low-rise buildings comprising:
  - 868 Independent Living Units, 270 Serviced Apartments and 300 Nursing Beds with comprehensive care support program
  - A retail precinct, 2 gyms, 3 pools, 8000 sqm of clubhouse facilities
  - 6 neighbourhood centres, and a hotel for visiting friends and family.
- The upfront cost, while cheaper than high-end offerings in Australia, is still expensive for a development which is an hour outside Shanghai in a former industrial area.
  - A studio apartment sells for 1.1 million yuan (\$240,000) plus an annual service fee of 72,000 yuan (\$15,700).
  - For the largest three-bedroom apartment the price is 2.4 million yuan (\$524,000) plus the service fee.
- Most of the apartments have been sold and looking at future developments.

# Aveo China

## Beijing Yanqing

Yanqing Retirement Village is a premium retirement community which has been built by NCI investment. The project is located at Yanqing Town, Yanqing County, 74 kilometres from Beijing. The location offers the S2 suburban railway, the Beijing-Tibet Expressway, and State Road 110 which connect to Beijing and is just one and a half hours drive. After construction of the planned Beijing-Zhangjiakou suburban railway is completed, it will take under half an hour to drive from Beijing city to Yanqing County. Yanqing has favorable climate conditions and its air quality is ranked as one of the top cities in the country. With a forest rate coverage of 71%, Yanqing was awarded as the first listed national botanical park and designated eco-demonstration region. The planning area for residential land occupies 396 mu, with a total construction area of 272,000 square meters. The plot ratio is 1.03 while the building density reaches 30% and the greening rate is over 50%. The community is designed with reference to world-class standards of construction and is based on the concept of "intelligent design, humanistic culture and environmentally friendly". There are three different characteristic residential areas including the independent living area, the assisted care living area and the Xinhua Community Hospital, which have all been integrated with European styling and modern architecture in order to create an elegant, comfortable and peaceful living environment.

(Source: Aveo China website: [www.aveo-china.com](http://www.aveo-china.com))





# Case Study

## Aveo China - Yanqing

### Yanqing Retirement Village (74 kilometres from Beijing):

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- The project is located at Yanqing Town, 74kilometres from Beijing, transport offering the S2 suburban railway, the Beijing-Tibet Expressway, and State Road 110 which connects to Beijing and is just one and a half hours drive. After construction of the planned Beijing-Zhangjiakou suburban railway is completed, it will take under half an hour to drive from Beijing city to Yanqing.
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  - independent living area,
  - assisted care living area, and
  - Xinhua Community Hospital

all integrated with European styling and modern architecture to create an elegant, comfortable and peaceful living environment.

# Case study

## Royal District Nursing Service (RDNS)

**Royal District Nursing Service (RDNS)** is Australia's oldest and largest provider of community healthcare.

- RDNS offers all aspects of home nursing and home care support, specialised education and training programs, aged care research with expertise in dementia, chronic disease and medications management as well as extensive ICT capability including patient information management systems and telehealth
- MOU in April 2016 with two health care organisations Xintu Center for Community Health Promotion in Shanghai and Zi-xin Medical Group in Qingdao. Initially the three organisations will work together to develop a home nursing care service in Qingdao, with the aim of expanding its reach to offer services in other cities and regional communities in China.
- JV in 2014 with China's Zhongshan College to develop and operate an aged care facility in Jiangsu Province, North of Shanghai. The facility includes 1,500 integrated care places, a 400 bed hospital and links to the college's education faculty
- Recently established joint venture Home Nursing Service in Hong Kong, and education and training joint venture in Nanjing and was working with the Shenzhen Government on a range of research and practice projects
- RDNS now has a constant presence in China with dedicated staff on the ground, so it is no longer a remote operation
- RDNS's approach is to take standards that are desirable and applicable, and contextualise them to the Chinese environment
- They understand that it is vital to honour and respect the Chinese culture, ethos and way of doing business and benefit from shared learnings and many parallels between aged care in China and Australia

### Strengths:

- Established network in China with people on the ground in 22 major cities
- Strategic partnerships, relationships and alliances with local enterprises and government
- Technical expertise and industry experience – Health & Aged Care, Education, Property & Construction

### Opportunities:

- China's favourable demographics (large ageing population, urbanisation, health and education needs)
- China's emerging middle class and social trends
- Government policy prioritisation for Health and Aged Care
- ChAFTA – unprecedented access to investment & services
- Australian IP/Know how → China's Capital and Demand



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ShineWing Australia is part of the ShineWing International Network that has offices in more than 20 locations across Asia.

ShineWing is the largest domestic accounting firm in mainland China, meaning we can offer our clients real, on-the-ground connections and local knowledge. We can help clients navigate processes and procedures to establish a presence in Asia more efficiently and maximise the value of their investment quickly.



### About ShineWing International Network

- Headquartered in Beijing, ShineWing is the largest domestic accounting and consulting firm in China with offices across Asia
- ShineWing's origins lie in CITIC Chartered Accountancy, a Government-owned international trust and investment corporation established in 1986. With a history that spans almost 30 years, ShineWing is one of the oldest domestic accounting firms in China
- ShineWing currently operates in The People's Republic of China, Hong Kong, Singapore, Japan, Pakistan, Egypt and Australia with plans to expand even further
- ShineWing's core service offerings include accounting, tax, audit and assurance, construction cost consulting and management consulting
- Today, ShineWing employs more than 4500 people in China.



## Our Mission

To building long term relationships with Australia's most significant trade partner to facilitate collaboration between Australian and Chinese businesses.

谢谢

Thank You

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opportunities.**

As China transitions from its manufacturing roots to a service based economy, the implications for Australian businesses are unprecedented. ShineWing Australia can help your organisation navigate this change and seize exciting new

opportunities across key growth sectors such as education, tourism, construction, health, aged care and financial services.

**Let's discuss the possibilities today.**