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China Medical Report – Introduction & Demo

Fiducia Strategy Advisory



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China Medical Market: Executive Summary

The China medical market has undergone significant growth and changes in recent years, in terms of both policy updates and major developments in the China medical industry.

Recap on Key Policy

- Chinese central government **encourages the growth of local brands** via policy support, such as introducing the *Catalogue of Selected Excellent Domestic Medical Equipment* and providing fast track to NMPA registration
- **Two-invoice System** was promoted significantly in 2016-2018. It has been practiced widely in pharmaceutical sectors since 2017 but is still limited in the medical device sectors
- **Medical Consortium System** among hospitals are promoted by the government for better resource allocation and information sharing
- Due to COVID-19, **detection and treatment of new infectious diseases and ICU facilities** have been put on the strategic agenda of government

Key Market Developments

- Most medical device sectors in China are still dominated by foreign suppliers. Top imports include CT, MRI and DSA equipment, etc.. Localisation is still in process and among which, IVD, monitoring and ultrasound medical equipment is relatively high
- The ratio of aged population in China has reached **12%** in 2019 and is expected to increase to **15% by 2023**
- **Public hospital dominants** in terms of scale and patient visit capacity, while private hospitals have experienced significant growth
- In terms of sales channels, low value consumables such as home-use devices perform the best online, while most high-value equipment are still routed through offline channels

In the market reports, Fiducia Strategy Advisory will update the following data items to refresh regularly the policy and commercial situation of domestic medical industry.

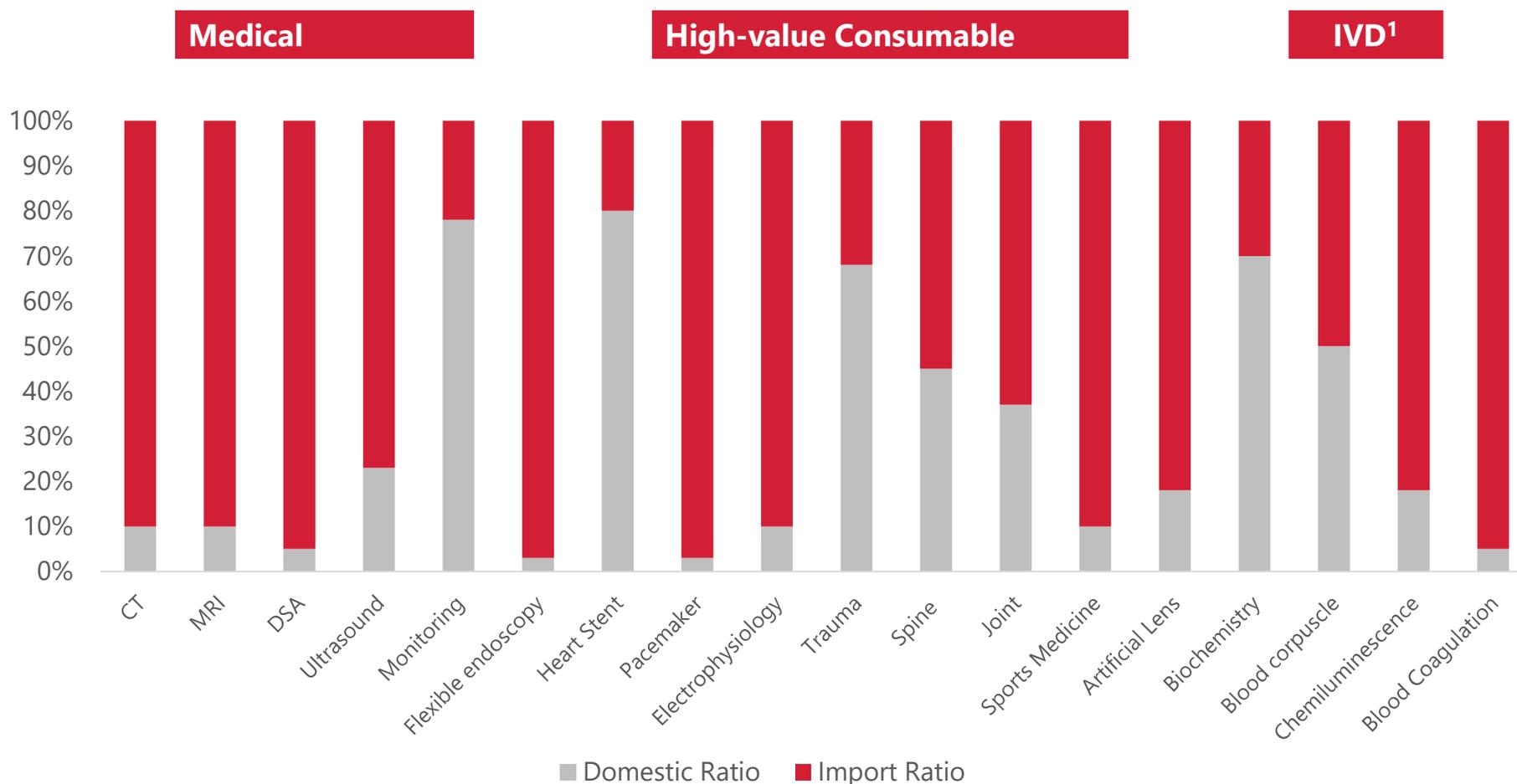
	DATA ITEM	EXPECTED ANALYSIS
	Policy outlook	<ul style="list-style-type: none"> ▪ Macro trend interpretation ▪ Policy pros and cons analysis ▪ Future impact analysis
	Import and export statistics of medical devices/pharmacy	<ul style="list-style-type: none"> ▪ Domestic dependency on imported medical instruments ▪ Trends of localization
	NMPA registration situation, approval cases and recent release	<ul style="list-style-type: none"> ▪ NMPA approval preference analysis; e.g. any bias for foreign products
	Key medical bidding projects and results	<ul style="list-style-type: none"> ▪ Understanding of local success and winning players
	Online sales performance and segment data	<ul style="list-style-type: none"> ▪ Macro trends and online market situation
	"News & Stories Feeds" of local key players	<ul style="list-style-type: none"> ▪ Interesting news and stories ▪ Summarised trend analysis
	COVID-19 Tracking	<ul style="list-style-type: none"> ▪ Tracking of COVID-19 impact ▪ News updates

The Localisation Situation of the Medical Instrument Sector

Demo

In the report, Fiducia Strategy Advisory will provide macro update of the import/export ratio and localisation situation of different medical device segments.

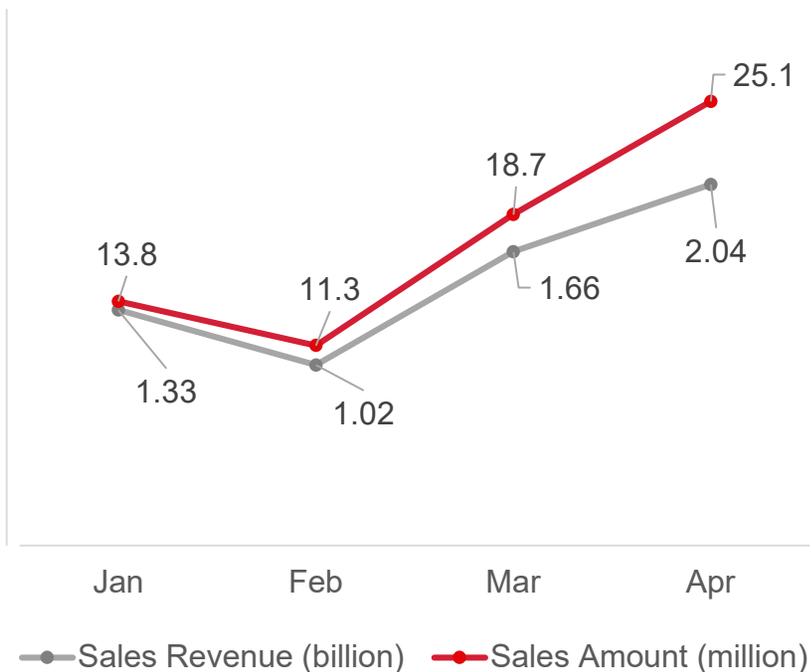
Import vs. Local Ratio of Medical Instrument (Part)



Online Sales Data of Medical Instrument Preview

Fiducia Strategy Advisory possesses a database of top online platforms in China and can monitor more than 90 medical sub-segments based on the client's focus and requirement.

Sales of Medical Instrument on Alibaba



- The overall sales of medical instrument online grows steadily in 2020 with an average MoM growth rate of 22.07% in volume
- Influenced by COVID-19, express delivery services were halted, resulting in the February downturn

Top Segment Sales Data by Volume (April)

No.	Segment	Sales Vol.	Vol. MoM	Sales Rev.	Rev. MoM
1	Mask	9.31 m	95.0%	432 m	98%
2	Wound dressing	2.99 m	2.9%	222 m	12.1%
3	Plaster	1.46 m	36.8%	88 m	36.8%
4	Thermometer	1.15 m	49.8%	163 m	21.8%
5	Sphygmomano - -meter	0.90 m	16.8%	132 m	7.3%
6	Cotton swabs	0.88 m	21.7%	103 m	27.0%
7	Blood glucose supplies	0.88 m	6.83%	64 m	9.9%
8	Health physiotherapy	0.75m	27.9%	76 m	26.7%
9	Protective gear	0.69 m	18.2%	11 m	14.3%
10	Medical appliances	0.59 m	3.3%	8 m	28.3

- Home medical instrument performs best in e-commerce retail channel, especially the low value consumables
- Due to the impact of COVID-19, the consumables such as mask, thermometers, to combat the virus maintain fastest growth

COVID-19 Challenges and Opportunities

In the quarterly report update, Fiducia Strategy Advisory will keep track of the COVID-19 impacts.

Prevention/Protection Products

- Medical masks
- Medical protective clothing
- Medical gloves
- Medical disinfectant

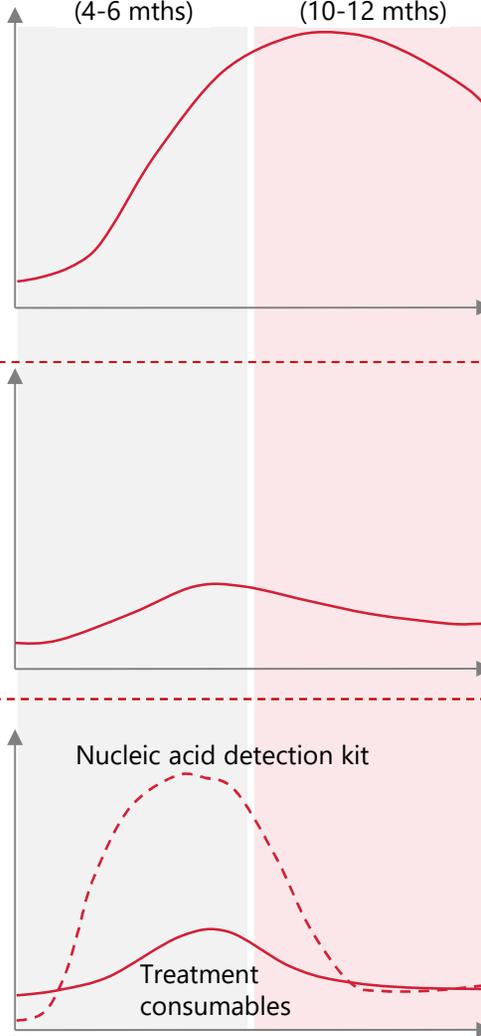
Medical Devices

- IVD, PCR, POCT
- ICU mandatory deploy: patient monitor, ventilator
- Medical disinfection equipment
- Precision equipment: Bedside hemofilter, ECMO

Medical Consumables

- Nucleic acid detection kit
- ICU related consumables: PICC, trachea, intubation tube

← Short term → (4-6 mths) ← Mid term → (10-12 mths)



Long-term Forecast



Long-term Growth of Prevention Products

- In terms of protection product, although the market demand will decrease in mid term, it is still higher than the past years from a long-term perspective



ICU Facilities Upgrade

- There are already 60+ hospitals that have established isolation branches for infectious diseases with focus on inspection, isolation, and ICU wards, as well as ICU facilities upgrade



Detection Ability Increase

- In a long run, detection kit will keep a steady growth
- The demand for institutions with treatment and detection of new infectious diseases will increase further

“News & Stories Feeds” of Local Medical Players

In each quarterly update, Fiducia Strategy Advisory will provide exciting and inspiring news and stories of local medical key players.



Background

- On April 22nd, the central government proposed the commercialisation of COVID-19 detection to widely promote nucleic acid and antibody testing



Momentums

- On April 23rd, BGI immediately announced the e-commercialisation plan to launch the appointment service of COVID-19 nucleic acid test on Pinduodou
- The first batch will be landed in 10 cities. Furthermore, with the participation of the partners of BGI, such as Rich-healthcare and AK examination centre, the coverage ultimately expands to 50 cities



Implication

- The digitalisation of medical service will be the mainstream trend in near future
- A significant step that the domestic medical players take to the lead the transformation of digitalisation

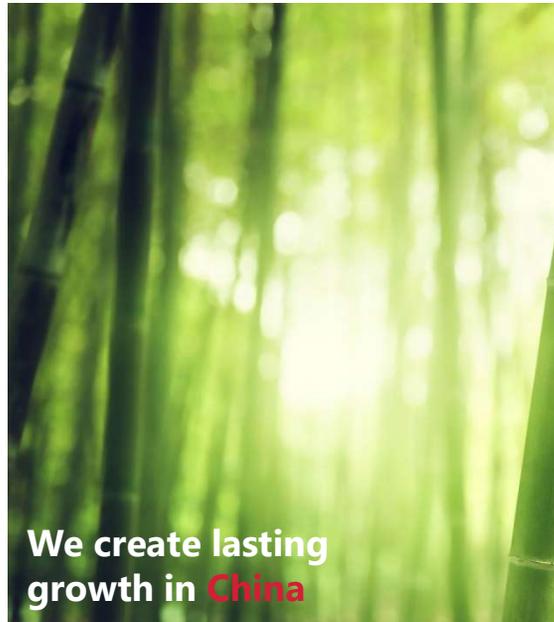
Note: 1. Pinduoduo is the second-largest online marketplace in China. It has pioneered several new trends including social e-commerce, team purchase and consumer-to-manufacturer (C2M)

Source: desk research and Fiducia analysis

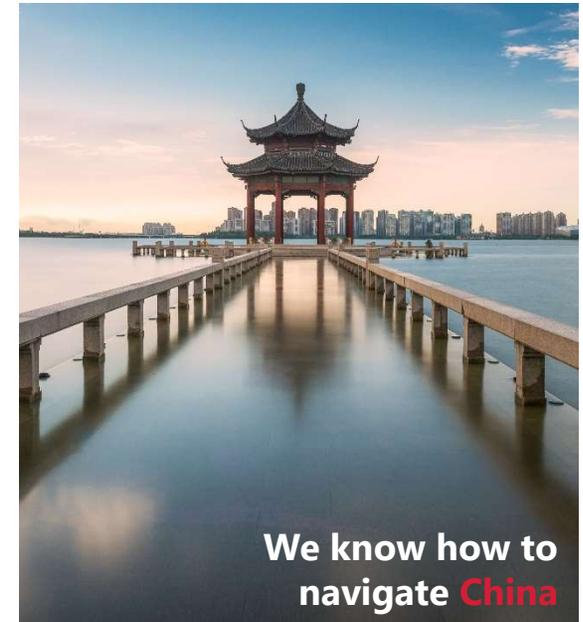
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T (+86) 10 85236308
F (+86) 10 8523 5789

Hong Kong

T (+852) 2523 2171
F (+852) 2810 4494

Shanghai

T (+86) 21 6327 9118
F (+86) 21 6327 9228

Shenzhen

T (+86) 755 8329 2303
F (+86) 755 8329 0821

Singapore

T (+65) 8874 8101