CHINDEX 2002 Annual Report

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2002 Annual Report

CHINDEX

Chindex International, Inc.

CHINDEX

CHINDEX MISSION

Prosper as a Cross-Cultural Company
by Providing Leading Edge Healthcare Technologies,
Quality Products and Services to China's Professional
Communities with Pride.

美 中 互 利 宗 旨

自豪地作为一个跨越东西方文化的公司，
经过提供高科技与高质量医疗产品与服务，
给中国的高级市场的人群与单位共同发展与繁荣昌盛。

Secretary of State Powell Presents Chindex with Award for Good Corporate Citizenship, Exemplary Business Practices and Contribution to Growth in the Local Economy

"Chindex International has provided healthcare products and services in China since 1981. But Chindex does more than sell healthcare products and services. Chindex has brought the American spirit of volunteerism and corporate public service to China's healthcare sector, especially to Chinese orphans,"

- Secretary of State Colin L. Powell

Chindex Executive management

We are very pleased to report continuing success in our 2002 financial results. We posted double digit revenue growth and a profitable bottom line for the fourth consecutive year.

The value of the "Chindex" brand in the Chinese healthcare markets is based on our twenty-one years of success in the sales of capital medical equipment.

2002 **Annual Report**

Dear Shareholder,

Last October, on behalf of the more than 600 worldwide employees of Chindex, Elyse Silverberg and I were honored to accept the U.S. State Department's 2002 Award for Corporate Excellence, presented by Secretary of State Colin Powell in Washington, D.C. For twenty-one years Chindex has striven in its business endeavors to improve the level of healthcare available to the Chinese people, maintaining the highest standards of corporate ethics and sense of mission and bringing value to our shareholders. Having our work acknowledged by the United States Government in this way was a great privilege and high point in our corporate history.

We are also very pleased to report continuing success in our 2002 financial results. We posted double digit revenue growth and a profitable bottom line for the fourth consecutive year. All segments of the business continued to grow in line with our strategic plan as we extended our Chindex brands further into the healthcare markets we serve. For the twelve months ended December 31, 2002, we reported a net profit of $259,000 or $0.30 per share. This compares to a net profit of $384,000 or $0.45 per share in 2001. Income from operations was $95,000 in 2002 compared to a loss from operations of $401,000 in 2001. Total revenues were $70.6 million, compared to $56.1 million in 2001, an increase of 26%. Our Balance Sheet at year end showed cash and cash equivalents of $6.1 million, total assets of $43.1 million, a current ratio of 1.4:1, and shareholders' equity of $14.0 million.

The value of the "Chindex" brand in the Chinese healthcare markets is based on our twenty-one years of success in the sales of capital medical equipment. Once again in 2002 the Capital Medical Equipment division had a strong and profitable year. Revenues for the division were $28.7 million, up 11% over the prior year. Income from operations was $198,000, a decrease from the prior year largely attributable to the variance in gross profit margin on our large volume of loan project revenues.

Our product offerings in capital equipment are from world renowned manufacturers including Siemens Medical Solutions, Johnson & Johnson, Nova Biomedical, Hologic, Bard, and Steris. Near the end of the year we signed distribution agreements with two manufacturers which will expand our product portfolio: Quinton, a prominent manufacturer of cardiology monitoring systems, and BrainLAB, a world leader in image guided surgical and therapy technologies. This impressive group of clients allows us to offer premium products in the critical modalities of diagnostic ultrasound and women's health imaging, clinical laboratory and stat chemistries, infection control and sterile central supply, electrophysiological and cardiac stress monitoring and image guided surgery and radiotherapy. In addition, the opportunities available through our loan programs for product bundling of Siemens and other prominent Western brands further increase the range of equipment we are supplying to Chinese hospitals. We are also proud to report that our technical service department, which operates on a nationwide basis from our geographic hubs in Beijing, Shanghai and Guangzhou, was once again rated "A+" by our customer base.

We have for many years now been the leaders in arranging innovative government-backed loan programs. In 2002 we not only delivered over $8.8 million in products under our existing commercial programs but also positioned ourselves to compete for future programs of this type backed by the German government. In addition, the liberalization of the foreign trade regulations and distribution industry in China under the WTO agreements has allowed us to expand the capital medical equipment business from a fully U.S. dollar transaction model into a local currency model in which we import some products through our distribution division. We are also making increasing use of regionally-based subdealers in some product areas to supplement our direct salesforce. This allows our equipment to be easily available to an increasing number of hospitals for purchase in local currency.Through the ongoing WTO liberalizations, the market for imported foreign medical equipment is expanding and we are expanding our distribution channels and transaction models to meet it.

In 1997 we established the distribution business at Chindex to provide direct access to customers in select healthcare markets in China based on local logistics infrastructure, effective supply chain management, and tight control of channels. In 1998, the business was organized formally into three units under dedicated leadership comprising the Products Distribution Department. This activity has grown so rapidly each year that in 2002 we established it as a separate segment of our over-all business, the Healthcare Products Distribution Division, and reported its financial results independently for the first time. Revenues for the division were $28.9 million for 2002, up 35% over the prior year. Results of operations were a loss of $639,000, improved from a loss of $1.3 million in the prior year.

Each of the three business units of this division focuses on a single core aspect of bringing healthcare products to the market in China. Logistics Services operates the import and supply chain infrastructures that are the backbone of the business. This team prides itself on achieving effective and efficient flows of information, goods, and cash. The Logistics unit earns revenue from services provided to well-known multinational healthcare companies such as Becton Dickinson, Guidant, and Johnson & Johnson, as well as the other business units of Chindex.

Hospital Products operates a network of approximately 200 local dealers to supply medical consumables and low-priced instrumentation to meet the needs of the top tier, 500+ bed hospitals throughout China. These 350 hospitals account for 80% of the demand for imported products. Hospital Products has also pioneered direct servicing of major hospital accounts with innovative programs which are designed to manage inventories in the hospital for the customer.

Retail Pharmacy Products focuses on marketing, sales, and distribution of branded healthcare and health-related consumer products through China's expanding retail pharmacy sector. This business has grown over the past four years to include supply partnerships with over 300 individual pharmacies in 25 Chinese cities. Eight of the top ten retail pharmacy chains in China already sell Chindex's products.

A multiyear association with L'Oréal has provided a springboard for Chindex to develop the retail pharmacy distribution channel. After overcoming several hurdles related to complex product registration procedures, we will be launching two new product lines in 2003. The first is Natural Formula, a brand of hair care and deodorant products. The second is the Summer's Eve brand of feminine hygiene products. We continue to believe that the market potential for personal care products distributed through retail pharmacies to China's burgeoning middle classes is tremendous. Chindex stands at the forefront of the competition to satisfy demand in this retail pharmacy sector.

2002 was also a very successful and eventful year for the growth and expansion of our Healthcare Services division. Revenues at Beijing United Family Hospital and Clinics ("BJU"), our flagship facility, were $12.9 million, an increase of 48% over the prior year. Operating income for the division was $536,000, an increase of 13%. During the year much work was done toward the opening of the first satellite clinic affiliated with BJU located in the suburbs of Beijing. The BJU facility also underwent an expansion that effectively doubled its capacity. By year end the facility was much as we had originally envisioned it when it opened in 1997: a unique, state-of-the-art, fee-for-service, 50 bed specialty hospital which provides primary family care to the expatriate and Chinese communities in Beijing.

The BJU facility now features seven 5-star birthing suites, three operating theaters, a medical-surgical inpatient ward, a pediatric ward, two executive VIP suites, a level II neonatal ICU, an adult level II ICU, a nursery, a clinical laboratory, an extensive digital diagnostic imaging facility, a pharmacy with a 600+ drug formulary, and a 24-hour a day emergency department. As BJU has grown in size and reputation in the community we have been recognized time and time again by Chinese healthcare regulators and hospital administrators as the "center of excellence" we had hoped to be. While we did not achieve our goal of undergoing JCIA accreditation review in 2002, largely due to the focus required by the expansion project, we are still intent on attaining this goal and making our Beijing United facility the first internationally accredited hospital in China.

We are now in the process of expanding this model of success to our second hospital, Shanghai United Family Hospital and Clinics. During the year we put the funding in place to launch the Shanghai United project and we expect the facility to open in 2003. Our "United Family Hospital" brand is growing in value rapidly. We are still the dominant market leader in this field and have been approached by a variety of potential partners, both Chinese and foreign, to work together in building and operating more "United Family" facilities in China. They are drawn to Chindex and our United Family Hospital model because we have demonstrated our ability to execute the development phase of a foreign-invested healthcare facility project in China as well as to operate profitably in this special environment. We have proven we can accomplish what thus far no other foreign investor has been able to in the Chinese healthcare services market.

As I compose this letter to you, in the late spring of 2003, the China market has been challenged by the onset of the SARS epidemic. This chain of events has impacted every aspect of life, both personal and professional, for everyone living and working in China. Chindex has responded aggressively in this crisis environment. SARS is now presenting the entire Chinese healthcare system with a tremendous challenge. With the proper and timely response, this challenge represents an opportunity to all of those involved in China's healthcare sector. It has been a wake up call which will spur major investment in improving all aspects of healthcare and public health in China. I am proud to say that Chindex, together with our colleagues in the government and private sectors, recognizes this window of opportunity and is investing our efforts accordingly.

On behalf of the Board of Directors and management, I would like to express our appreciation to all of our shareholders, employees, principals and partners for their continuing commitment and support.

Roberta Lipson
President & CEO
May 2003 - Beijing, China

CHINDEX

Capital Medical Equipment Division
- Medical Department
- Technical Service Department
- Chindex Hong Kong

Healthcare Products Distribution Division
- Logistics Services
- Hospital Products
- Retail Pharmacy Products

Healthcare Services Division
- Beijing United Family Hospital
- Beijing Shunyi Clinic
- Shanghai United Family Hospital

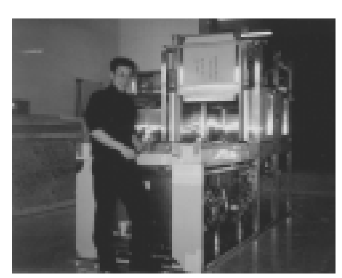
Capital Medical Equipment (CME) Division

The Chindex CME Team - the leading independent American supplier of capital medical equipment to the Chinese hospital system for more than 21 years. Providing Western manufacturers with a distribution solution in China and Hong Kong that they can understand and trust.

Our success is based on long-term dedication to the marketplace, unwavering commitment to customer service and flexibility to meet market conditions.

New Emerging Technologies - staying apace with the development of medical technologies in the West allows us to consistently bring new products to China. We are a leader in new technology introductions in our areas of expertise in China.

National Sales and Marketing - our investment in relationships in more than 2,000 Chinese hospitals has been building in value over many years.



Financing Packages - Chindex has been a leader in loan program financing packages since the mid-1990's. We have delivered more than $40 million in financed sales through the end of 2002.

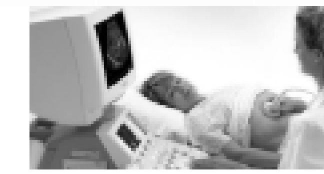
Clinical Applications Support - our expert staff of in-house physicians provides advanced clinical applications training and support to all our customers for all the equipment we supply.

Technical Service Support - each of our Technical Service Engineers is factory trained and utilizes regionally-based spare parts depots to provide "A+" service to our customers.

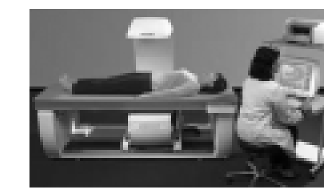
Customer Training and Education - we maintain an extensive program in China, the United States and Europe for the ongoing education of our customers in the use of their equipment.

Chindex CME Product Portfolio

Imaging Products

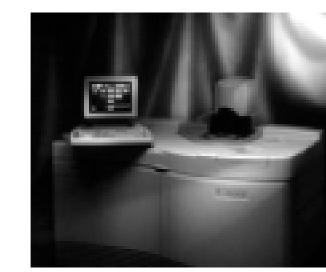


Diagnostic Ultrasound
Siemens Medical Solutions
Ultrasound Division
Acuson and Sonoline Brands



Radiology
Hologic Corporation
Women's Health Imaging
Bone Densitometry
Mammography - Lorad Brand

Clinical Chemistry Products



Clinical Laboratory
Johnson & Johnson/Ortho Clinical Diagnostics
Vitros Brand Chemistry Systems

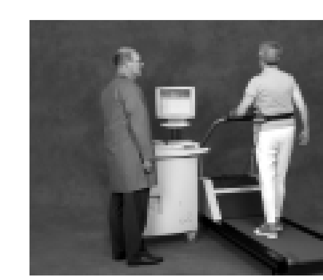
Stat Analysis
Nova Biomedical
Blood Gas and Electrolyte Analyzers

Cardiology Products

Interventional
C. R. Bard
Electrophysiology Monitoring

PLC Medical
TMR Laser Systems

Quinton Cardiology Systems
Cath Lab Monitoring



Stress Testing
Quinton Cardiology Systems
Stress Test Monitoring

Infection Control

Steris Corporation
Sterilizers/Washers
Central Sterile Supply Systems

Operating Theater and Basic Facility

Steris Corporation
OR Lights and Tables
Aerocom
Pneumatic Tube Systems

Image Guided Surgical and Therapy Technologies

BrainLAB
Image Guided Surgical System
- Nuero
- ENT
- Orthopedics

Image Guided Radiosurgery System

Healthcare Products Distribution (HPD) Division

HPD Direct Access

Operating our Chindex wholly-owned companies based in China's free-trade zones, Chindex sources healthcare and personal care products internationally and distributes them to the hospital and retail pharmacy markets throughout China.

The HPD system is comprised of three business units: Logistics Services, Retail Pharmacy Products and Hospital Products.

Logistics Services

Supply Chain Management - Chindex views supply chains as interlocking flows of information, goods, and funds and creates value through their effective management. Designing and implementing supply chain strategies is the core function of this business unit.

Local Distribution Channels - Our supply chain expertise is complemented by a network of companies and warehouses which allow Chindex to hold title to goods in China, to control them all the way to our customers' doors, and to invoice and collect directly in local currency. The broad business licenses of our subsidiaries domiciled in the free-trade zones allow for the distribution of locally made products as well as those imported by Chindex.

Compliance Commitment - Every team member is imbued with the spirit of ensuring patient and consumer safety and the necessity for all operations and all products flowing through our logistics system to be totally compliant with applicable regulations. We have instituted strict procedures and periodic audits to ensure we meet this commitment. Both subsidiaries that handle HPD business have been recognized by the Chinese government as outstanding corporate citizens.

Logistics Clients - This business unit primarily serves the needs of the HPD sales units and other Chindex business units but also provides services tailored to meet the needs of select outside clients in the healthcare field. Outside principals currently served by the Logistics Services group include:

Becton Dickinson

Pari

Retail Pharmacy Products

The premium retail pharmacy market already consists of over 60 million people concentrated in the top 30 metropolitan centers. Consumption is in the billions of dollars per year and is growing faster than the economy as a whole.

China's Burgeoning Middle Class - The retail pharmacy products business unit was established to meet the rapidly growing demand for personal healthcare products by consumers with strong concerns for individual health and with the disposable income to support consumption of relatively expensive products.

Distribution to Pharmacies - In addition to comprehensive advertising and promotion programs, we reach our target consumers effectively by building strong service-oriented relationships with key accounts such as major chains and direct oversight of merchandising and sales in individual stores. Our well-managed and motivated team of customer service representatives stationed in each of the 25 cities we already serve is a critical ingredient in Chindex's success. HPD is doing business today with eight of the top ten retail pharmacy chains and over 300 stores.

New Product Pipeline - Chindex received regulatory approvals in 2002 and will launch two new branded product lines, as well as introduce its own "United Family" brand, in 2003. Many more products will follow as Chindex moves to leverage its well-developed relationships at the pharmacy level to occupy critical shelf and display space. In addition, in accordance with China's WTO accession commitments, Chindex expects to be able to distribute over the counter pharmaceutical products in the near future.

Current Brands - Brands currently distributed by HPD Retail Pharmacy Sales are:

Vichy Laboratories
- skin care products

La Roche Posay
- skin care products

Launch in 2003 - Brands scheduled for launch in 2003 are:

Natural Formula
- deodorants and hair care products

Summer's Eve
- feminine hygiene products

United Family Hospital Brand - Chindex is developing a line of family and baby care products mainly sourced within China which will be marketed under our well-known "United Family Hospital" brand. This program is at an early stage and launch is planned for later in 2003.

Hospital Products

Growing Market for High Quality Products

Using Chindex's twenty-one years of experience in marketing to the Chinese hospital industry, the Hospital Product's growing product portfolio focuses on satisfying the critical needs of hospitals for high-quality consumables, supplies, and low-cost instrumentation.

Currently these products are mainly imported but we expect to increase our profit margins by sourcing more products locally, including on an OEM basis, in the future.

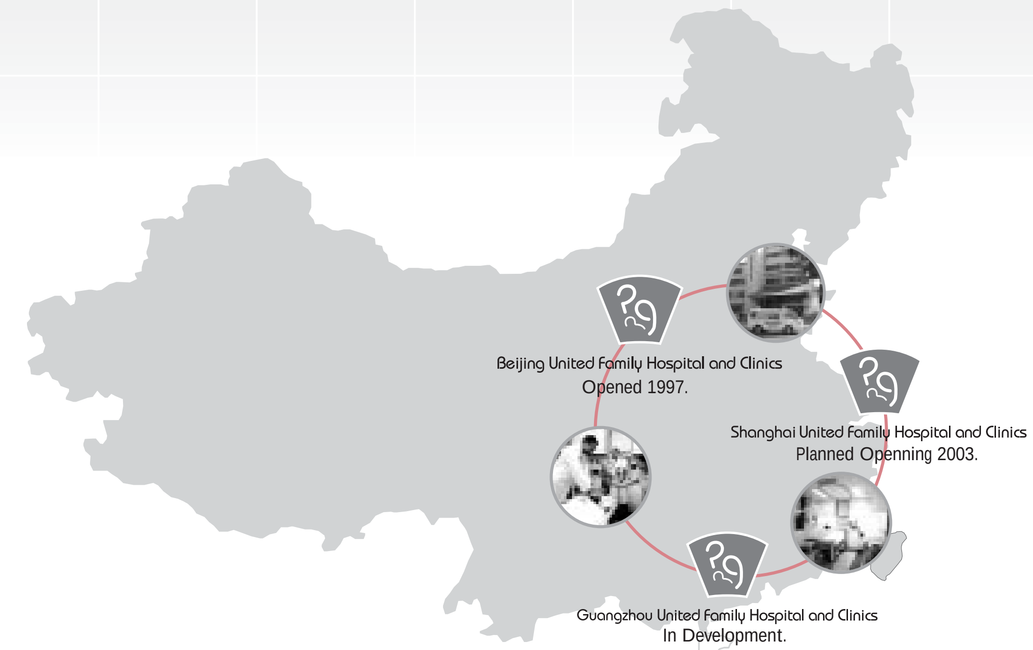
Effective Channel Management - Pinpoint management of more than 200 local dealers throughout the country is a key ingredient in understanding the market and achieving sales success. We select dealers for their product expertise, hospital relationships, and professional business practices.

500+ bed hospitals = 80% of the market - Our dealer network already covers more than 350 of these hospitals in the major metropolitan markets throughout the country as well as smaller institutions. We also directly service and invoice a small number of key hospitals in major metropolitan areas for selected products.

Current Products - HPD's Hospital Products unit markets and sells the following products:

Guidant	PTCA products including stents, guidewires, and balloons
Hudson RCI	Respiratory products such as endotracheal tubes
Lakeland	Medical garments, including protective clothing
Tyco	Urology products
Tuttnauer	Table top sterilizers
Truphatek	Laryngoscopes

Healthcare Services (HCS) Division



The Chindex United Family Hospital Network

Chindex has pioneered foreign investment in private healthcare services in the China market. The first United Family Hospital in Beijing opened in 1997 and in 2002 is still the only facility of its kind in Beijing.

Providing the finest in patient-centered healthcare services, it sets the standard of excellence by which others are measured. Beijing United services the private pay international population of Beijing and surrounding areas, as well as the growing affluent local population.

In 2003 we plan to open the second United Family Hospital in Shanghai. We will provide the same quality services to these market segments in Shanghai.

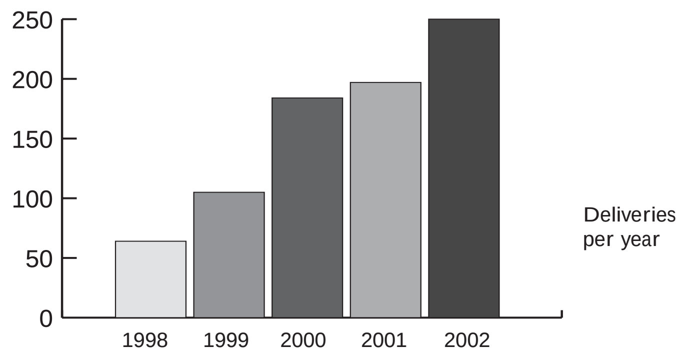
The future United Family Hospital network will include a third facility in Guangzhou with each hospital and affiliated clinics in the network sharing common administrative resources.

United Family Hospital Services

- Pediatrics
- General Surgery
- Orthopedic Surgery
- Urology
- Family Medicine
- Internal Medicine
- Emergency Medicine
- Radiology
- Obstetrics and Gynecology
- Anesthesia
- Dermatology
- Dentistry and Orthodontics
- Psychiatry and Mental Health
- Physical Therapy
- Alternative and Oriental Medicine

One Measure of Success - Newborn Babies

One of the greatest joys of all who are associated with our healthcare services business is that of helping new life come into the world and sharing in the happiness that brings to the families of Beijing.



One Measure of Success - Good Works

Through its affiliation with the American Education and Health Foundation, Chindex and Beijing United Family Hospital and Clinics have established a relationship with several orphanages in China. BJU provides services in kind, equivalent to one percent of its revenue annually, to help orphans receive life-changing surgeries at BJU. This philanthropy was highlighted as one aspect of the Chindex 2002 Award for Corporate Excellence.

AMERICAN EDUCATION AND HEALTH FOUNDATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

General

The Company's revenues continued to grow in 2002, with increases occurring in all three segments of the Company's business. In 2002, the Company expanded the number of segments into which its business is divided by dividing the former Healthcare Products segment into two: Capital Medical Equipment and Healthcare Products Distribution. In 2002, the Company, continuing its loan program efforts, shipped a total of $8.8 million under a program of commercial bank financing for its customers in China. The Company recorded net income in 2002 of $259,000 or a 33% decrease from 2001 net income of $384,000. Income from operations was $95,000 in 2002 compared to a loss from operations of $401,000 in 2001.

The Healthcare Services segment of the Company's business saw a number of changes in 2002. During the year the Company completed a significant expansion of its Beijing United Hospital and Clinics ("Beijing United"), doubling its capacity. This expansion involved the renovation of the upper floors of the hospital building that previously had been subleased to a tenant. Also in 2002, Chindex opened its first outpatient satellite clinic affiliated with Beijing United in Shunyi county outside of Beijing.

In addition to expansion efforts at Beijing United, the Company completed negotiations for its new hospital in Shanghai and, in February of 2002, entered into a joint venture agreement with Shanghai Changning Central District Hospital (a 70-30 equity joint venture, with the Company holding 70%) for the establishment of Shanghai United Family Hospital and Clinics ("Shanghai United"). The business license for Shanghai United was received in July of 2002. The Company has also entered into an 18-year lease for a stand-alone four story building on the campus of the Changning Hospital. Financing for Shanghai United is being obtained through an agreement with a major supplier whereby extended payment terms on up to $4 million in purchases by the Company are being provided. Construction on Shanghai United is underway and is expected to open in 2003.

Critical Accounting Policies

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Some of the Company's accounting policies require higher degrees of judgment than others in their application. These include revenue recognition on long-term service contracts, impairments and estimation of useful lives of long-term assets, income tax recognition of deferred tax items, and accruals for contingencies. Our policy and related procedures for revenue recognition on long-term service contracts are summarized below. In addition, Note 1 to the Consolidated Financial Statements includes further discussion of the Company's significant accounting policies.

Revenue Recognition - Sales and most commissions are recognized upon product shipment. Costs associated with shipping, handling, installation, after-sale servicing and warranty are not significant and are recognized in Cost of Sales as they are incurred. Revenues related to services provided by Beijing United are recognized in the period services are provided. Costs associated with such services are recognized in the period incurred.

Stock-based Compensation - The Company accounts for stock-based compensation to employees under Accounting Principles Board ("APB") No. 25 - "Accounting for Stock Issued to Employees, " and complies with the disclosure requirements for SFAS No. 123 - "Accounting for Stock-Based Compensation" and SFAS No. 148 - "Accounting for Stock-Based Compensation - Transition and Disclosure" (see "Stock Option Plan").

Fiscal year 2002 compared to 2001

The Company's revenues for 2002 were $70,617,000, up 26% from 2001 revenues of $56,118,000. Of these amounts, $8,821,000 in 2002 and $4,196,000 in 2001 were attributable to loan project sales by the Company for its customers. The Company believes that this type of financing is important to its customers and will continue to try to offer such financings in the future. These financings can be very complex and their timing and impact on the Company's results are difficult to predict (see "Timing of Revenues").

Capital Medical Equipment Segment

In 2002 this segment had revenues of $28,708,000, an 11% increase over the revenues of $25,819,000 in 2001. Income from operations for the segment was $198,000 in 2002 compared to income from operations of $439,000 in 2001. The decrease was primarily attributable to a decrease in the gross profit percentage. The period-to-period revenues of this segment fluctuate due to financing programs facilitated by the Company from time to time and due to fluctuating hospital purchasing cycles in China. The increase for 2002 was primarily attributable to loan project sales by the Company to its customers, which were $8,821,000 in the recent year as compared to $4,196,000 in the prior year. The U.S. dollar-based sales of capital medical equipment are often contingent on financing (see "Timing of Revenues").

Gross profit in 2002 increased to $7,822,000 from $7,451,000 in 2001. As a percentage of revenues, gross profit from the capital medical equipment segment for the recent period was 27% as compared to 29% in the prior period. The gross profit in 2001 reflected a different mix of revenue sources having different profit margins. In particular, in the recent year, the Company had less service contract revenues, which carry higher margins, than in the prior year. Service contract revenues in Hong Kong were down significantly because of the downturn in the economy there. The Company anticipates that service contract revenues will not return to previous levels. In addition, competitive factors such as the timing and composition of major tenders, as well as the ongoing competitive pricing pressures due to Chinese government tendering regulations in the sale of capital medical equipment in the year, yielded lower margins on such sales. Finally, gross margins on loan project sales are generally lower than on the Company's other sales because the Company is not required to provide warranty service on many of the products sold through the loan programs. Loan program shipments in 2002 were more than twice as large as in 2001.

Expenses for the capital medical equipment segment in 2002 increased to $7,624,000 from $7,012,000 in 2001, and as a percentage of revenues over the period were the same at 27%. Salaries for the segment in 2002 increased by $561,000 from 200, and as a percentage of revenues over the period increased to 10% from 9%. The salary increase was primarily due to increased payroll benefits mandated by the Chinese government.

In addition, travel and entertainment expenses for the segment increased $197,000 but were flat at 5% of revenues in both years. Other costs decreased $123,000 as compared to the prior year, primarily due to lower administration allocations and lower promotion costs offset by increased exhibition fees and bad debt reserve.

Healthcare Products Distribution Segment

The Healthcare Products Distribution ("HPD") segment, consisting of medical consumables and personal healthcare products, had revenue growth of 35% to $28,946,000 in 2002 from 2001 revenues of $21,520,000. This increase was attributable to an increase in sales in the hospital and retail pharmacy markets. The segment had a loss from operations of $639,000 in 2002 compared to a loss from operations of $1,316,000 in 2001. The sales of medical consumables and personal healthcare products are local currency-based sales made from inventories maintained locally in China (see "Foreign Currency Exchange and Impact of Inflation") to a network of sub-dealers and pharmacies.

Gross profit in 2002 rose to $3,856,000 from $2,842,000 in 2001. As a percentage of revenues, gross profit from the HPD segment remained consistent at 13% in 2002 and 2001.

Expenses for the healthcare products distribution segment in 2002 increased to $4,457,000 from $4,158,000 in 2001, but decreased as a percentage of revenues over the twelve month period to 15% from 19%. Salaries for the segment increased $354,000, but remained flat as a percentage of revenues over the years at 5%. The increase is primarily due to increased payroll benefits mandated by the Chinese government. In addition, travel and entertainment expense for the segment increased $76,000 but was flat at 1% of revenues for both years, and other costs decreased $131,000 primarily from decreased promotion.

Healthcare Products Segment

In order to provide a complete segment comparison, the following is a comparison of the 2002 and 2001 results for the products now contained in two segments, the Capital Medical Equipment segment and the Healthcare Products Distribution segment. In 2000, the company treated these two as one segment and thus, comparable information is not available and it would be impracticable to compare the two years on the basis of the segmentation in effect in 2002. If the Company had not separated the two segments they would have reported combined revenue of $57,654,000 in 2002 as compared to $47,339,000 in 2001. Gross profit would have been $11,678,000 in 2002 as compared to $10,293,000 in 2001. As a percentage of revenues the old segment would have reported 20% in 2002 as compared to 22% in 2001. Expenses would have increased to $12,081,000 in 2002 as compared to $11,170,000 in 2001.

Healthcare Services Segment

For 2002, the revenues from this segment were $12,963,000, an increase of 48% over 2001 revenues of $8,779,000. Income from operations in 2002 was $536,000 as compared to $476,000 in 2001. During the recent period, Beijing United continued to expand the services offered, which contributed to increased patient visits as well as increased inpatient stays over the prior year. Healthcare services costs during 2002 were $12,427,000, an increase of 50% over 2001 costs of $8,303,000. This increase was due primarily to the costs associated with increased services offered. The hospital has recently finished expanding its present facility to include space formerly occupied by a sublease tenant (see Liquidity and Capital Resources). The hospital also has continued its efforts to explore the establishment of additional affiliated satellite clinics to serve as referral sites to its hospital. In this regard, Beijing United is affiliated with a satellite clinic that opened in November of 2002. This clinic, in Shunyi county outside of Beijing, is funded by a Chindex subsidiary and is staffed by doctors and other health professionals from Beijing United. Salaries increased by $2,450,000 (salaries were 50% and 46% of revenue for 2002 and 2001, respectively), with all other costs increasing $1,674,000, including $193,000 in supplies, $457,000 in rent, $129,000 to establish a bad debt reserve and $104,000 in administrative allocation. The salary increases resulted from increased staffing for the emergency room and for other expanded facilities as well as additional payroll benefits.

Minority Interest

The Company's agreement with its joint venture partner for Beijing United calls for the partner to receive 10% of the profits of the hospital. In 2002, this minority interest in the net local income of Beijing United amounted to $71,000 as compared to $18,000 for 2001. This income is directly related to the local entity profitability of the hospital. The Company also recorded a $38,000 start-up loss on its investment in a joint venture in Hong Kong. This was offset by The Company's minority partner share loss of $121,000 in its new start-up hospital venture in Shanghai.

Other Income and Expenses

Other expense (other than interest) in 2002 was $131,000, compared to other income (other than interest) of $578,000 for 2001. The prior period other income was derived substantially from the sublease of space in the facility housing Beijing United that ended on December 31, 2001. The part of the building that was subleased has now been renovated as part of the hospital expansion. Although the Company did not anticipate any sublease revenues in 2002, it does anticipate that now that the space is renovated and in service for Beijing United, the Company will recognize additional revenues through the expanded operations of Beijing United, which may offset part or all of the loss of income from the sublease.

Taxes

The Company recorded a $240,000 benefit from taxes in 2002 as compared to a benefit for taxes of $77,000 in 2001. This tax computation is in accordance with current accounting standards but assumes a certain level of future profitability. The Company believes this properly recognizes the benefits the Company has achieved as a result of its tax restructuring and short-term anticipation of future income tax loss carryforward utilization.

As a result of this restructuring the Company expects to make use of a portion of its U.S. federal net operating losses and accordingly, recorded a $660,000 deferred tax valuation adjustment in addition to last year's $232,000 recorded on previously fully reserved tax losses. The Company expects these net operating losses to be recognizable in 2003 to 2004.

Fiscal year 2001 compared to 2000

The Company's revenues for 2001 were $56,118,000, up 25% from 2000 revenues of $45,064,000. These amounts include bulk medical equipment sales of $4,196,000 in 2001 and $9,396,000 in 2000, due to sales attributable to shipments made under the Company's loan financing transactions. The Company believes that this type of financing is important to its customers and the Company and will continue to try to offer such financings in the future. These financings can be very complex and their impact and timing on the Company's results are difficult to predict (see "Timing of Revenues").

The Company recorded net income in 2001 of $384,000 or a 40% decrease from 2000 net income of $641,000.

Healthcare Products

The following comparison on Healthcare Products includes the products now contained in two segments, the Capital Medical Equipment segment and the Healthcare Products Distribution segment. In 2000, the company treated these two as one segment and thus, comparable information is not available and it would be impracticable to compare the two years on the basis of the segmentation in effect in 2002. The healthcare products segment, consisting of medical equipment, medical consumables and personal healthcare products, had revenue growth of 21% to $47,339,000 in 2001 from 2000 revenues of $39,049,000. The 2001 revenues included $25,817,000 in sales of medical equipment (55%) and $21,522,000 in sales of medical consumables and personal healthcare products (45%). In 2000, the sales of medical equipment constituted 68% of the total for healthcare product sales, while the sales of medical consumables and personal healthcare products constituted 32% of the total. The segment had a loss from operations of $877,000 in 2001 compared with a loss from operations of $66,000 in 2000. The sales of medical equipment are U.S. Dollar-based export sales often contingent on financing (see "Timing of Revenues"). The sales of medical consumables and personal healthcare products are local currency-based sales made from inventories maintained locally in China (see "Foreign Currency Exchange and Impact of Inflation") to a network of sub-dealers and pharmacies.

Gross profit in 2001 rose to $10,293,000 from $9,529,000 in 2000. As a percentage of revenue, gross profit from the healthcare products segment declined in 2001 to 22% from 24% in 2000. This decrease in gross profit is related to the increase in local currency sales of medical consumables and personal healthcare products since these sales are made at a lower average gross profit than U.S. dollar capital equipment sales.

Expenses for the healthcare products segment in 2001 increased to $11,170,000 (24% of revenue) from $9,595,000 in 2000 (25% of revenue). Salaries increased $587,000 (salaries were 13% of revenue in 2001 and 14% in 2000), primarily due to increased hires. In addition, travel and entertainment expense increased $174,000 (travel and entertainment was 4% of revenue in 2001 and 5% in 2000) as a result of increased marketing efforts and other costs increased $597,000.

Healthcare Services

The healthcare services segment consists of a Western style primary care hospital and outpatient facility. In 2001, the revenues from this segment increased to $8,779,000 or 46% over 2000 revenues of $6,015,000. Income from operations was $476,000 in 2001 compared to $218,000 in 2000. During 2001, the hospital continued the expansion of its service offerings and the revenue increases for the year reflect increased patient visits taking advantage of these services. Healthcare services costs increased in 2001 to $8,303,000 or 43% over 2000 costs of $5,797,000. This increase was due to the costs associated with increases in services. Also, in September 2001 the Company completed first floor renovations and added a full time emergency room. The hospital is currently expanding its present facility and continues to explore the possibility of additional satellite clinics to serve as referral sites to its hospital. Salaries increased by $1,727,000 (salaries were 46% of revenue in 2001 versus 39% in 2000), with all other costs increasing $996,000.

Other Income and Expenses

Interest income in 2001 declined to $161,000 from $200,000 in 2000. In addition, the Company incurred $13,000 in interest expense in 2001 and had $94,000 in interest expense in 2000 (see "Liquidity and Capital Resources").

Other income (other than interest) increased slightly in 2001 to $578,000 from $558,000 in 2000. This other income is primarily from the net sublease income. This sublease ended December 31, 2001 and this part of the building is now being renovated as part of the hospital expansion. The Company does not anticipate any significant revenue in this category in 2002.

Taxes

The Company has undertaken a global restructuring in which it has reorganized its structure and is modifying inter-company relationships to better accommodate its predominantly Chinese operations. This restructuring was motivated, in part, by the Company's desire to "incorporate" various functions previously operated as a division or branch of the U.S. parent and, in part, due to its intent to expand its presence in the direct healthcare market by opening an additional hospital.

This restructuring provides the flexibility to structure operations in the People's Republic of China to comply with the various legal and regulatory restrictions and encourages cash flow among the foreign subsidiaries to new investments without triggering U.S. federal income tax. This flexibility further permits the Company to aggressively pursue Chinese and other tax incentives, rebates, and holidays without triggering U.S. federal income tax. In addition, the new legal structure creates a desirable environment should the Company wish to attract third party investment in a new Chinese hospital or the Chinese hospitals as a whole. As such, this reorganization aligns the U.S. tax result with the Company's overall business plan and facilitates the free flow of cash among the Company's foreign subsidiaries.

As a result of this restructuring the Company expects to make use of a portion of its U.S. federal net operating losses and accordingly, recorded a $232,000 deferred tax valuation adjustment on previously fully reserved tax losses. The Company expects these net operating losses to be recognizable in 2002 or 2003.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2002, total accounts receivable increased by $3,542,000 as compared to December 31, 2001. This was primarily due to the large loan project transaction shipping at the end of 2002 while no large loan transaction shipped during the last half of the year ended December 31, 2001.

Substantially all of the $3,974,000 increase as of December 31, 2002 in accounts payable and accrued expenses was related to vendor payments for the loan project shipped at the end 2002. Payments related to this shipment are expected to be paid during 2003.

As of December 31, 2002, inventories were $10,346,000, increasing $2,981,000 from the December 31, 2001 balance of $7,365,000. This increase was due to expansion of the Healthcare Products Distribution network and pending Capital Medical Equipment loan shipments awaiting final shipping instructions.

As of December 31, 2001 the Company capitalized $3,395,000 of improvements and equipment, primarily for the expansion of Beijing United into the two remaining floors previously sub-leased. The Company is currently renovating and outfitting its hospital facility in Shanghai, which is being primarily financed through vendor financing and local bank borrowings. The Company has signed an agreement with a major supplier whereby the supplier has agreed to provide long term (one and one-half years on transactions to date) payment terms on the Company's purchases of medical equipment from the supplier. The arrangement carries an interest component of five percent. Due to this vendor financing the Company has recorded long-term accounts payable of $3,609,000 as of December 31, 2002.

As of December 31, 2002, letters of credit issued by the Company's principal bank, AllFirst, amounted to approximately $362,000 and $1,346,000 were outstanding under the line of credit facility. Borrowings under the credit facility bear interest at 1% over three month London Interbank Offered Rate ("LIBOR"). Beijing United has completed short term financing arrangements in China with Hongkong Shanghai Banking Corp. ("HSBC") for up to $600,000 in revolving loans or standby credit. Terms of the agreement are customary, with the interest rate being 1.75% over the 3 month Singapore Interbank Money Market Offer Rate ("SIBOR"). Beijing United has agreed to utilize HSBC for a certain portion of its credit card settlement business. As of December 31, 2002 this line of credit was fully utilized.

The following table sets forth the Company's contractual cash obligations as of December 31, 2002:

	Total	2003	2004	2005	2006	2007	Thereafter
Line of credit	$ 1,946,000	$1,946,000	$ 0	$ 0	$ 0	$ 0	$ 0
Vendor financing	3,609,000	0	3,609,000	0	0	0	0
Operating leases	12,224,000	1,454,000	1,137,000	994,000	993,000	993,000	6,653,000
Total contractual cash obligations	$17,779,000	$3,400,000	$4,746,000	$994,000	$993,000	$993,000	$6,653,000

For information about these contractual cash obligations, see Notes 7 and 8 to the consolidated financial statements appearing elsewhere in this report.

The Company continues to consider various other financing alternatives to satisfy its future expansion, capital improvements and equipment requirements.

TIMING OF REVENUES

The timing of the Company's revenues is affected by several significant factors. Many end-users of the capital equipment products sold by the Company depend to a certain extent upon the allocation of funds in the budgeting processes of the Chinese government and the availability of credit from the Chinese banking system. These processes and the availability of credit are based on policy determinations by the Chinese government and are not necessarily subject to fixed time schedules.

In addition, the sales of certain products often require protracted sales efforts, long lead times and other time-consuming steps. Further, in light of the dependence by purchasers of capital equipment on the availability of credit, the timing of sales may depend upon the timing of the Company's or its purchasers' abilities to arrange for credit sources, including Ex-Im Bank or other loan financing. As a result, the Company's operating results have varied and are expected to continue to vary from period to period and year to year. In addition, a relatively limited number of orders and shipments may constitute a meaningful percentage of the Company's revenue in any one period. As a result, a relatively small reduction in the number of orders can have a material impact on the Company's revenues in any year. Further, because the Company recognizes revenues and expenses as products are shipped, the timing of shipments could affect the Company's operating results for a particular period. At the same time, a growing percentage of the Company's revenues are attributable to hospital services and local currency sales through the HPD segment, both of which have more even revenue streams.

FOREIGN CURRENCY EXCHANGE AND IMPACT OF INFLATION

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. Since the Company receives over 60% of its revenues in local Chinese currency, the Company has some foreign currency risk. Changes in the valuation of the Chinese Renminbi or Hong Kong dollar may have an impact on the Company's results of operations in the future. The Company's subsidiaries, Chindex Tianjin, Chindex Shanghai, and Beijing United, sell products and services in Renminbi.

The Company has also purchased and will continue to purchase some products in Western currencies other than U.S. dollars and has sold and will continue to sell such products in China for U.S. dollars. To the extent that the value of the U.S. dollar declines against such a currency, the Company could experience a negative impact on profitability. The Company anticipates hedging transactions wherever possible to minimize such negative impacts. Currently there are no such hedges.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks in a variety of ways. The principal market risk is related to the nature of the Chinese economy and political system. Since the Company generates all of its revenues from China, any risk having to do with the environment in China for a foreign business operating there can have a significant impact on the Company.

The Chindex growth plan includes continuing expansion of the Capital Medical Equipment business, rapid expansion of the HPD product portfolio, with an emphasis on increasing the number and variety of products that are sold directly to retail pharmacies, and the development of a network of private family hospitals, based on the Beijing United model, to serve China's growing middle class. Management continues to develop this growth plan, the implementation of which will be contingent on a number of factors, including requisite financing.

Although the Company remains optimistic about the marketplace, there are continuing uncertainties as to the direction of China's on-going political and economic reforms, the possibility for future devaluation of the Chinese or Hong Kong currencies, and China's relationship with the United States. These uncertainties may influence the budgeting and purchasing process in China. Any of the foregoing circumstances may impede trade with China, thus impairing the ability of the Company's customers to purchase the Company's products. In the Company's view, China's entry into the World Trade Organization in 2001 has made the dangers from these uncertainties less significant. Other possibly adverse circumstances include a decrease in the funds available for Chinese end-users as a result of a general economic slowdown, and increased competition from other American and European companies.

Internal Political Risk

The Company's interests may be adversely affected by the political environment in China. China is a socialist state which since 1949 has been, and is expected to continue to be, controlled by the Communist Party of China. Changes in the top political leadership of the Chinese government and/or the Communist Party, may have a significant impact on policy and the political and economic environment in China. Moreover, economic reforms and growth have been more successful in certain sections of the country than others, and the continuation or increase of such disparities could affect political or social stability.

Government Control Over Economy

The government of China has exercised and continues to exercise substantial control over virtually every section of the Chinese economy through regulation and state ownership. China's continued commitment to reform and the development of a vital private sector in that country have, to some extent, limited the practical effects of the control currently exercised by the government over individual business enterprises. However, the economy continues to be subject to significant government controls which, if directed towards business activities of the Company, could have a significant adverse impact on the Company. For example, if the government were to limit the number of foreign personnel who could work in the country, or were to substantially increase taxes on foreign businesses or were to impose any number of other possible types of limitations on the Company's operations, the impact would be significant.

Legal System

China's legal system is a civil law system, which is based on written statutes and in which decided legal cases have little precedential value. Moreover, China's legal system is still in the early stage of development and there are not sufficient numbers of trained judges or other legal professionals to manage disputes that may arise. As a result, the administration of laws and regulations by government agencies in China may be subject to considerable discretion.

Foreign Trade Corporations

In the sale of its capital equipment to China, the Company must make most of its sales through foreign trade corporations ("FTCs"). Although purchasing decisions are made by the end-user, which is obligated to pay the applicable purchase prices, the Company enters into a formal purchase contract with only the FTC. By virtue of its direct contractual relationship with the FTC, rather than the end-user, the Company is to some extent dependent upon the continuing existence of and contractual compliance by the FTC until the particular transaction has been completed.

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Stockholders
Chindex International, Inc.

We have audited the accompanying consolidated balance sheets of Chindex International, Inc. (the Company) as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chindex International, Inc. at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

McLean, Virginia
March 14, 2003

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
CHINDEX INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2002	2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,100,000	$ 5,459,000
Trade receivables less allowance for doubtful accounts of $883,000 in 2002 and $604,000 in 2001	16,195,000	12,932,000
Inventories	10,346,000	7,365,000
Income taxes receivable	11,000	165,000
Deferred income taxes	892,000	232,000
Other current assets	1,793,000	1,668,000
Total current assets	35,337,000	27,821,000
Property & equipment, net	7,128,000	4,751,000
Other assets	661,000	797,000
Total assets	$43,126,000	$33,369,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$22,612,000	$18,625,000
Accrued contract training	920,000	915,000
Short term loan payable	1,946,000	200,000
Total current liabilities	25,478,000	19,758,000
Long-term accounts payable	3,609,000	0
Total liabilities	29,087,000	19,758,000
Minority interest	71,000	18,000
Stockholders' Equity:		
Preferred stock, $.01 par value, 5,000 shares authorized, none issued	0	0
Common stock, $.01 par value, 2,500,000 shares authorized, including 200,000 designated Class B:		
Common stock -733,308 and 657,319 shares issued and outstanding in 2002 and 2001, respectively	7,000	7,000
Class B stock - 193,750 shares issued and outstanding in 2002 and 2001	2,000	2,000
Additional capital	17,384,000	17,303,000
Foreign currency equity translation adjustment	9,000	(8,000)
Accumulated deficit	(3,434,000)	(3,693,000)
Total stockholders' equity	13,968,000	13,611,000
Total liabilities and stockholders' equity	$43,126,000	$33,369,000

See accompanying notes

CHINDEX INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2002	2001	2000
Total sales and service revenue	$70,617,000	$56,118,000	$45,064,000
Cost and expenses			
Cost of goods and services sold	47,549,000	38,426,000	30,529,000
Salaries and payroll taxes	13,463,000	10,091,000	7,777,000
Travel and entertainment	2,601,000	2,139,000	1,897,000
Other	6,909,000	5,863,000	4,709,000
Income (loss) from operations	95,000	(401,000)	152,000
Minority interest	50,000	(18,000)	(36,000)
Other income and (expenses)			
Interest expense	(54,000)	(13,000)	(94,000)
Interest income	59,000	161,000	200,000
Miscellaneous (loss) income, net	(131,000)	578,000	558,000
Total other (loss) income	(126,000)	726,000	664,000
Income before income taxes	19,000	307,000	780,000
(Benefit from) provision for income taxes	(240,000)	(77,000)	139,000
Net income	$ 259,000	$ 384,000	$ 641,000
Net income per common share - basic	$ .30	$ .45	$ .79
Weighted average shares outstanding - basic	874,870	851,069	808,722
Net income per common share - diluted	$ .29	$ .42	$ .76
Weighted average shares outstanding - diluted	899,192	921,927	838,716

See accompanying notes

CHINDEX INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2002	2001	2000
OPERATING ACTIVITIES			
Net income	$ 259,000	$ 384,000	$ 641,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation	1,016,000	773,000	750,000
Inventory write-down	158,000	147,000	154,000
Provision for doubtful accounts	279,000	0	0
Minority interest	(53,000)	0	0
Deferred taxes	(660,000)	(232,000)	0
Changes in operating assets and liabilities:			
Trade receivables	(3,542,000)	4,264,000	(9,229,000)
Inventories	(3,124,000)	1,608,000	(3,393,000)
Income taxes receivable	154,000	112,000	(161,000)
Other current assets	(125,000)	(353,000)	(418,000)
Other assets	136,000	282,000	(260,000)
Accounts payable and accrued expenses	3,992,000	(3,615,000)	11,481,000
Income taxes payable	0	(90,000)	(15,000)
Net cash (used in) provided by operating activities	(1,510,000)	3,280,000	(450,000)
INVESTING ACTIVITIES			
Investment in equity joint venture	(40,000)	0	0
Purchases of property and equipment	(3,382,000)	(1,798,000)	(720,000)
Net cash used in investing activities	(3,422,000)	(1,798,000)	(720,000)
FINANCING ACTIVITIES			
Proceeds from short term loan payable	1,746,000	200,000	0
Cash from joint venture partner investment	120,000	0	0
Long term accounts payable	3,609,000	0	0
Exercise of stock options	81,000	0	9,000
Net cash provided by financing activities	5,556,000	200,000	9,000
Effect of foreign exchange rate changes on cash and cash equivalents	17,000	(8,000)	(2,000)
Net increase (decrease) in cash and cash equivalents	641,000	1,674,000	(1,163,000)
Cash and cash equivalents at beginning of year	5,459,000	3,785,000	4,948,000
Cash and cash equivalents at end of year	$6,100,000	$5,459,000	$3,785,000
Cash paid for interest	$ 45,000	$ 13,000	$ 10,000
Cash paid for taxes	$ 336,000	$ 518,000	$ 368,000

See accompanying notes

CHINDEX INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	Common Stock		Common Stock -Class B		Additional	Accumulated	Accumulated other comprehensive income	
	Shares	Amount	Shares	Amount	Capital	Deficit		Total
Balance at Dec 31, 1999	596,563	$6,000	193,750	$2,000	$17,294,000	($4,717,000)	$2,000	$12,587,000
Net income 2000						641,000		641,000
Foreign currency translation adjustment							(2,000)	(2,000)
Comprehensive Income								639,000
September stock dividend	59,756	1,000				(1,000)		0
Option exercised	1,000	0			9,000			9,000
Balance at Dec 31, 2000	657,319	7,000	193,750	2,000	17,303,000	(4,077,000)	0	13,235,000
Net income 2001						384,000		384,000
Foreign currency translation adjustment							(8,000)	(8,000)
Comprehensive Income								376,000
Balance at Dec 31, 2001	657,319	7,000	193,750	2,000	17,303,000	(3,693,000)	(8,000)	13,611,000
Net income 2002						**259,000**		**259,000**
Foreign currency translation adjustment							**17,000**	**17,000**
Comprehensive Income								**276,000**
July stock dividend	**66,664**	**0**						**0**
Options exercised	**9,325**	**0**			**81,000**			**81,000**
Balance at Dec 31, 2002	**733,308**	**$7,000**	**193,750**	**$2,000**	**$17,384,000**	**($3,434,000)**	**$9,000**	**$13,968,000**

See accompanying notes

CHINDEX INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND DESCRIPTION OF BUSINESS

Chindex International, Inc. (the Company or "Chindex") is a leading American company in the healthcare sectors of the Chinese marketplace, including Hong Kong. The Company conducts business in three segments. The Capital Medical Equipment segment markets and sells high-technology medical equipment and instrumentation acquired from several major U.S., European, and other manufacturers. The Company markets and sells these products in China, including Hong Kong, and provides marketing, sales and technical services for the products. Substantially all direct sales, commissions and purchases of these products are denominated in U.S. dollars.

The Healthcare Products Distribution segment operates a logistics platform through which it provides logistics services to internal clients as well as to other companies doing business in the Chinese market. Sales of consumables and low value healthcare and health-related consumer products are undertaken through Chindex Holdings International Trade (Tianjin) Ltd., and Chindex Shanghai International Trading Co., Ltd., subsidiaries that sell goods and receive payments in local Chinese currency and use the currency to pay for local expenses and U.S.-dollar imported goods. Payments are generally required to be made in advance for consumable products.

Finally, in its Healthcare Services ("HCS") segment, the Company operates a hospital and clinic in Beijing and will be opening a second hospital in Shanghai in mid-2003. In 1996 the Company established Beijing United Family Hospital and Clinics ("Beijing United"), a contractual joint venture between the Company and a company controlled by the Chinese Academy of Medical Sciences. Beijing United provides complete international standard primary care health services including family practice, pediatrics, dental care, physical therapy, obstetrics, gynecology, neonatology, men's health care, 24 hour emergency room, general surgery, psychiatrics, ICU, diagnostic imaging, and pharmacy. Operations commenced in late 1997. Full-time operation began in March 1998. While Beijing United generally transacts its business in local Chinese currency it can receive payments in U.S. dollars.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries or controlled enterprises. Minority interest is derived from the Company's 10% partner share of the earnings of Beijing United and 30% equity partner interest in Shanghai United. The Company also holds a 40% interest in Natural Formula Asia Limited accounted for using the equity method, netted in other assets. Significant intercompany balances and transactions are eliminated.

Revenue Recognition

Sales and most commissions are recognized upon product shipment. Costs associated with shipping, handling, installation, after-sale servicing and warranty are not significant and are recognized in cost of sales as they are incurred.

Revenues related to services provided by HCS are recognized in the period services are provided. Costs associated with such services are recognized in the period incurred.

Inventories

Inventory purchased to fill executed sales contracts and purchase orders that remain undelivered at year-end (merchandise inventory), service parts and inventory of peripheral components are stated at the lower of cost or market using the specific identification method. In addition, two wholly foreign owned subsidiaries maintain merchandise inventory based on expected sales targets.

Certain items are purchased for demonstration purposes and subsequent sale (demonstration inventory). Management monitors the salability of such demonstration inventory and reduces the carrying amount to net realizable value when there is any impairment in value.

Inventory items held by HCS are stated at the lower of cost or market using the average cost method.

Property and Equipment

Property and equipment, including such assets held by HCS, are stated at historical cost. The costs of additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight line method over the estimated useful lives of the related assets. Useful lives for office equipment, vehicles and furniture and fixtures range from 5 to 7 years. Leasehold improvements are amortized by the straight-line method over the shorter of the estimated useful lives of the improvements or the lease term. Certain medical equipment is depreciated over three years.

The Company assesses the impairment of long-lived assets including intangible assets in accordance with Statement of Financial Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 establishes one accounting model to be used for long-lived assets to be disposed of by sale and broadens the presentation requirements of discontinued operations to include more disposal transactions. The adoption of this statement did not have a material impact on the Company's results of operation and financial position.

Income Taxes

The Company's U.S. entities are on a June 30 tax fiscal year and beginning in 2001, they filed a consolidated U.S. federal tax return. The U.S. provision for income taxes is computed for each entity in the U.S. consolidated group at the statutory rate based upon each entity's income or loss, giving effect to permanent differences. The Company's foreign subsidiaries file separate income tax returns on a December 31 fiscal year.

Provisions for income taxes are based upon earnings reported for financial statement purposes and may differ from amounts currently payable or receivable because certain amounts may be recognized for financial reporting purposes in different periods than they are for income tax purposes. Deferred income taxes result from temporary differences between the financial statement amounts of assets and liabilities and their respective tax bases. A valuation allowance reduces the deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments

The Company considers the recorded value of its financial instruments, which consist of cash and cash equivalents, trade receivables, commissions receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at December 31, 2002 and 2001.

Earnings Per Share

The Company follows Statement of Financial Accounting Standards No. 128, 'Earnings per Share' (Statement 128) whereby basic earnings per share excludes any dilutive effects of options, warrants and convertible securities and diluted earnings per share includes such effects. The Company does not include the effects of stock option, warrants and convertible securities for periods when the Company reports a net loss as such effects would be antidilutive.

Stock Based Compensation

The Company accounts for stock-based compensation to employees under Accounting Principles Board ("APB") No. 25 - "Accounting for Stock Issued to Employees", and complies with the disclosure requirements for SFAS No. 123 - "Accounting for Stock-Based Compensation" and SFAS No. 148 - "Accounting for Stock-Based Compensation - Transition and Disclosure."

Dividends

The Company has not paid cash dividends to the stockholders of its common stock and any cash dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors. On June 19, 2002 the Company declared a 10% stock dividend to holders of record on July 15, 2002.

Reclassifications

Certain balances in the 2001 and 2000 financial statements have been reclassified to conform to the 2002 presentation.

2. INVENTORIES

The Company's inventories consists of the following for the year ended December 31:

	2002	2001
Merchandise inventory	$7,609,000	$4,805,000
Healthcare services inventory	240,000	234,000
Demonstration inventory, net	840,000	597,000
Parts and peripherals	1,657,000	1,729,000
	$10,346,000	**$7,365,000**

3. PROPERTY AND EQUIPMENT, NET

The Company's property and equipment consistis of the following for the year ended December 31:

	2002	2001
Furniture and equipment	$5,408,000	$4,594,000
Vehicles	109,000	109,000
Leasehold improvements	5,594,000	3,610,000
	11,111,000	8,313,000
Less: accumulated depreciation and amortization	(3,983,000)	(3,562,000)
	$7,128,000	**$4,751,000**

4. DEBT

Short term

The Company has a $1,750,000 credit facility with First National Bank of Maryland for short-term working capital needs, standby letters of credit, and spot and forward foreign exchange transactions. Balances outstanding under the facilities are payable on demand, fully secured and collateralized by government securities acceptable to the Bank having an aggregate fair market value of not less than $1,945,000. As of December 31, 2002, letters of credit issued by the bank amounted to approximately $362,000 and $1,346,000 were outstanding under the line of credit facility. Borrowings under the credit facility bear interest at 1% over three month London Interbank Offered Rate ("LIBOR").

The Company's hospital has recently completed short term financing arrangements in China with Hongkong Shanghai Banking Corp. ("HSBC") for up to $600,000 in revolving loans or standby credit. Terms of the agreement are customary, with the interest rate being 1.75% over the 3 month Singapore Interbank Money Market Offer Rate ("SIBOR"). The hospital has agreed to utilize HSBC for a certain portion of its credit card settlement business. As of December 31, 2002 this line of credit had $600,000 outstanding.

Long term

The Company has signed an agreement with a major supplier whereby the supplier has agreed to provide long term (one and one-half years on transactions to date) payment terms on the Company's purchases of medical equipment from the supplier. The arrangement carries an interest component of five percent. Due to this vendor financing the Company has recorded long-term accounts payable of $3,609,000 as of December 31, 2002.

The following table sets forth the Company's debt obligations as of December 31, 2002:

	Total	2003	2004	2005	2006	2007	Thereafter
Line of credit	$ 1,946,000	$ 1,946,000	$ 0	$ 0	$ 0	$ 0	$ 0
Vendor financing	$ 3,609,000	$ 0	$ 3,609,000	$ 0	$ 0	$ 0	$ 0

5. STOCKHOLDERS' EQUITY

Common Stock

The Class B common stock and the common stock are substantially identical on a share-for-share basis, except that the holders of Class B common stock have six votes per share on each matter considered by stockholders and the holders of common stock have one vote per share on each matter considered by stockholders. Each share of Class B common stock will convert at any time at the option of the original holder thereof into one share of common stock and is automatically converted into one share of common stock upon (i) the death of the original holder thereof, or, if such stocks are subject to a stockholders agreement or voting trust granting the power to vote such shares to another original holder of Class B common stock, then upon the death of such original holder, or (ii) the sale or transfer to any person other than specified transferees.

The Company issued a 10% stock dividend to shareholders of record (except Class B common stock) as of the close of business on June 19, 2002. A similar 10% dividend was previously issued to shareholders of record as of the close of business on September 13, 2000.

Stock Option Plan

The Company's 1994 Stock Option Plan (the Plan) provides for the grant, at the discretion of the Board of Directors, of (i) options that are intended to qualify as incentive stock options (Incentive Stock Options) within the meaning of Section 422A of the Internal Revenue Code to certain employees, consultants and directors, and (ii) options not intended to so qualify (Nonqualified Stock Options) to employees, consultants and directors. At the Company's 2001 annual meeting the stockholders approved a 200,000 increase in the amount of stock authorized for issuance. The total number of shares of common stock for which options may be granted under the Plan is currently 317,625.

The Plan is administered by the Board of Directors, which determines the terms of options, including the exercise price, the number of shares subject to the options and the terms and conditions of exercise. No option granted under the Plan is transferable by the optionee other than by will or the laws of descent and distribution and each option is exercisable during the lifetime of the optionee only by such optionee. The exercise price of options granted under the Plan must be at least equal to the fair market value of such shares on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting rights of the Company's outstanding capital stock, the exercise price of any Incentive Stock Option may be not less than 110% of the fair market value on the date of grant. With respect to any Incentive Stock Option granted to a participant who owns stock possessing more than 10% of the total combined voting power of all classes of the Company's outstanding capital stock, the maximum term is five years.

The following is a summary of stock option activity during the years ended December 31, 2002, 2001 and 2000:

	2002	Weighted Average Exercise Price	2001	Weighted Average Exercise Price	2000	Weighted Average Exercise Price
Options outstanding, beginning of year:	209,601	$10.17	210,021	$9.95	46,318	$11.98
Granted	32,127	10.40	28,060	9.37	171,498	9.62
Exercised	(9,325)	8.71	0	0	(1,000)	9.13
Canceled	(49)	8.32	(28,480)	8.21	(6,795)	9.22
Options outstanding, end of year	232,354	9.38	209,601	10.17	210,021	9.95

Options exercisable at December 31, 2002 and 2001, were 221,688 and 184,032, respectively, with a weighted average exercise price of $9.35 and $10.19 respectively.

The weighted average exercise price of options outstanding is $9.38 and $10.17 and the weighted average remaining contractual life of such options is 7.68 and 8.6 years respectively as of December 31, 2002 and 2001.

The Company accounts for stock-based compensation to employees under Accounting Principles Board ("APB") No. 25 - "Accounting for Stock Issued to Employees", and complies with the disclosure requirements for SFAS No. 123 - "Accounting for Stock-Based Compensation" and SFAS No. 148 - "Accounting for Stock-Based Compensation - Transition and Disclosure." Had compensation cost for these plans been determined consistent with SFAS No. 123, the Company's net earnings and earnings per share ("EPS") would have been reduced to the following pro-forma amounts (in thousands, except per share data):

		2002	2001	2000
Net earnings, as reported		$259,000	$384,000	$641,000
Deduct: total stock-based employee compensation expense determined under fair value method for all awards, net of related tax efforts		(24,000)	(158,000)	(514,000)
Net earnings, pro-forma		$235,000	$226,000	$127,000
Pro forma earnings per share				
EPS, basic	As reported	$ .30	$ .45	$ .79
EPS, basic	Pro forma	$ .27	$ .27	$ .16
EPS, diluted	As reported	$ .29	$ .42	$ .76
EPS, diluted	Pro forma	$ .26	$ .25	$ .15

The fair value of each option is estimated at the date of grant using a modified Black-Scholes option pricing model, with the following weighted-average assumptions for 2002, 2001 and 2000: dividend yield 0.00%; expected volatility of 62.3%; risk-free interest rate of 3.00%; and expected life of 7.0 years.

Shares of Common Stock Reserved

As of December 31, 2002 the Company has reserved 482,500 shares of common stock for issuance upon exercise of stock options and Class B common stock convertibility.

6. EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted Earnings per Share (EPS) computations for net income and other related disclosures:

For the year ended December 31, 2002	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income/Basic EPS	$259,000	847,870	$ .30
Effect of dilutive securities:			
Warrants and options		24,322	(0.01)
Net income/Diluted EPS	$259,000	899,192	$ .29

For the year ended December 31, 2001	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income/Basic EPS	$384,000	851,069	$ .45
Effect of dilutive securities:			
Warrants and options		70,858	(0.03)
Net income/Diluted EPS	$384,000	921,927	$ .42

For the year ended December 31, 2000	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net income/Basic EPS	$641,000	808,722	$ .79
Effect of dilutive securities:			
Warrants and options		29,994	(0.03)
Net income/Diluted EPS	$641,000	838,716	$ .76

Options to purchase 232,354, 209,601, and 210,021 of common stock between $6.87 and $33.05 were outstanding during most of 2002, 2001 and 2000 respectively. See Note 5.

7. INCOME TAXES

The Company's provision for (benefit from) income taxes consists of the following for the year ended December 31:

	2002	2001	2000
Current:			
Federal	$ 0	$ 0	$ 0
Foreign	545,000	249,000	220,000
State	0	34,000	0
	545,000	283,000	220,000
Deferred:			
Federal	(681,000)	(190,000)	0
State	(104,000)	(42,000)	0
Foreign	0	(128,000)	(81,000)
	(785,000)	(360,000)	(81,000)
	$(240,000)	**$(77,000)**	**$139,000**

Significant components of the Company's deferred tax liabilities and assets are as follows as of December 31:

	2002	2001
Deferred tax liabilities:		
Unremitted earnings on Foreign subsidiaries	$ 0	$(1,054,000)
Deferred tax assets:		
Allowance for doubtful accounts	286,000	233,000
Sales Commissions	114,000	54,000
Net operating loss carryforwards	949,000	1,991,000
Foreign tax credit	0	210,000
Other	(1,000)	244,000
Subtotal	1,348,000	1,678,000
Less valuation allowance	(456,000)	(1,446,000)
Net deferred tax asset	**$ 892,000**	**$ 232,000**

The Company's effective income tax rate varied from the statutory federal income tax rate for the year ended December 31 as follows:

	2002	2001	2000
Statutory federal income tax rate	34.0%	34.0%	34.0%
Adjustments:			
State income taxes, net of federal benefit	4.0	4.0	3.5
Foreign tax rate differential	3,036.0	(188.0)	(31.5)
Use of foreign net operating losses	(5,289.0)	(42.0)	(20.7)
Change in valuation allowance	(3,474.0)	(75.0)	34.0
Other, including permanent differences	4,426.0	242.0	(1.5)
	(1,263.0)%	**(25.0)%**	**17.8%**

Due to the Company's global restructuring plan, it expects to be able to make use of a portion of its U.S. federal net operating losses, and accordingly, recorded $660,000 in 2002 and $232,000 in 2001 reduction in its deferred tax valuation allowance on previously fully reserved tax losses. The Company expects the tax benefits from these net operating losses will be realized in 2003 or 2004. The remaining net deferred tax assets have been fully reserved.

The Company has U.S. Federal net operating losses of approximately $2.3 million that expire in 2014 through 2022. The Company also has foreign losses from China of approximately $1,677,000 that expire in 2003 and 2007.

8. COMMITMENTS

Leases

The Company leases office space, warehouse space, and space for both Beijing United and Shanghai United under operating leases. Future minimum payments under these noncancelable operating leases consist of the following:

Year ending December 31:	
2003	1,454,000
2004	1,137,000
2005	994,000
2006	993,000
2007	993,000
Thereafter	6,653,000
Net minimum rental commitments	$12,224,000

The above leases require the Company to pay certain pass through operating expenses and rental increases based on inflation.

Rental expense was approximately $1,499,000, $1,026,000, and $953,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

9. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, trade receivables and commission receivables. Substantially all of the Company's cash and cash equivalents at December 31, 2002 and 2001 were held by two U.S. financial institutions. All of the Company's sales during the years were to end-users located in China or Hong Kong. Most of the Company's sales are accompanied by down payments of either cash or letters of credit with one Chinese financial institution. Sales on extended payment terms usually have down payments in the form of a letter of credit and additional payments are secured through several methods. The Company generally does not grant extended payment terms for greater than 20% of a contract value unless there are exceptional circumstances. Before extended payment terms are provided, the Company performs a thorough review of the local operation, secures a guarantee from higher authorities than the end-user, and performs other steps as needed. All of the Company's medical services provided by Beijing United were performed in China for patients residing in China. Substantially all of the payments received for such services were denominated in local currency; however, the Company is authorized to accept payment in other currencies.

The Company conducts its marketing and sales and provides its services exclusively to buyers located in China, including Hong Kong. The medical services and products provided by Beijing United and the marketing of such services are performed exclusively for/to patients in China. The Company's results of operations and its ability to obtain financing could be adversely affected if there was a deterioration in trade relations between the United States and China.

Of the Company's net assets at December 31, 2002 and 2001, approximately $16,760,000 and $15,660,000, respectively, of such assets are located in China, consisting principally of cash, receivables, inventories, property improvements, equipment, and certain liabilities. See Note 10 also.

10. SIGNIFICANT CUSTOMERS/SUPPLIERS

Substantially all China purchases of the Company's U.S.-Dollar sales of products, regardless of the end-user, are made through Chinese foreign trade corporations (FTCs). Although the purchasing decision is made by the end-user, which may be an individual or a group having the required approvals from their administrative organizations, the Company enters into formal purchase contracts with FTCs. The FTCs make purchases on behalf of the end-users and are authorized by the Chinese government to conduct import business. FTCs are chartered and regulated by the government and are formed to facilitate foreign trade. The Company markets its products directly to end-users, but in consummating a sale the Company must also interact with the particular FTC representing the end-user. By virtue of its direct contractual relationship with the FTC, rather than the end user, the Company is to some extent dependent on the continuing existence of and contractual compliance by the FTC until a particular transaction has been completed. In 2002 the Company recorded sales to Instrimpex FTC of $8,821,000; this is the only customer over 10% of total sales.

Purchases from three suppliers were each over 10% of total cost of goods. These were Siemens ($11,233,000), Becton Dickinson ($11,145,000) and L'Oréal ($7,168,000) for the year ended December 31, 2002. Purchases over 10% for the year ended December 31, 2001 were Siemens, ($9,330,000), Becton Dickinson ($4,949,000) and Tyco ($5,356,000). In 2000 only Siemens, ($9,616,000) was over 10% of cost of goods. The Company has entered into a security arrangement to ensure the payment of Siemens accounts payable.

11. SEGMENT REPORTING

As a result of the growth the chief decision making officer requested to split the former Healthcare Products Distribution segment into Capital Medical Equipment and Healthcare Products Distribution. The Company now has three reportable segments: Capital Medical Equipment, Healthcare Products Distribution and Healthcare Services. The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes, not including gains or losses on the Company's investment portfolio. For the year ended December 31, 2000 the three segment disclosure was impracticable to compute and therefore has been shown as originally reported.

The following segment information has been provided per Statement of Financial Accounting Standards No. 131, 'Disclosures about Segments of an Enterprise and Related Information':

For the year ended December 31, 2002:

	Capital Medical Equipment	Healthcare Products Distribution	Healthcare Services	Total
Assets	$21,354,000	$10,616,000	$11,156,000	$43,126,000
Sales and service revenue	$28,708,000	$28,946,000	$12,963,000	$70,617,000
Gross Profit	7,822,000	3,856,000	n/a	n/a
Gross Profit %	27%	13%	n/a	n/a
Income (loss) from operations	$ 198,000	$ (639,000)	$ 536,000	$ 95,000
Other (expense)				(126,000)
Minority interest				50,000
Income before income taxes				$ 19,000

For the year ended December 31, 2001:

	Capital Medical Equipment	Healthcare Products Distribution	Healthcare Services	Total
Assets	$17,511,000	$ 8,987,000	$6,871,000	$33,369,000
Sales and service revenue	$25,819,000	$21,520,000	$8,779,000	$56,118,000
Gross Profit	7,451,000	2,842,000	n/a	n/a
Gross Profit %	29%	13%	n/a	n/a
Income (loss) from operations	$ 439,000	$(1,316,000)	$ 476,000	$ (401,000)
Other income, net				726,000
Minority interest				(18,000)
Income before income taxes				$ 307,000

For the year ended December 31, 2000:

	Healthcare Products Distribution	Healthcare Services	Total
Assets	$30,847,000	$5,651,000	$36,498,000
Sales and service revenue	$39,049,000	$6,015,000	$45,064,000
Gross profit	9,529,000	n/a	n/a
Gross profit %	24%	n/a	n/a
Income (loss) from operations	$ (66,000)	$ 218,000	$ 152,000
Other income, net			664,000
Minority interest			(36,000)
Income before income taxes			$ 780,000

Intersegment transactions were eliminated for the years ended December 31, 2002, 2001 and 2000

SELECTED FINANCIAL DATA

(in thousands except per share data)

For the year ended December 31:	2002	2001	2000	1999	1998
Net sales	$70,617	$56,118	$45,064	$37,128	$21,563
Percent increase	26%	25%	18%	72%	-10%
Income (loss) from operations	95	(401)	152	(221)	(3,613)
Other income and expenses	(126)	726	664	896	1,661
Net income (loss) before tax	19	307	780	657	(1,964)
Benefit from (provision for) income taxes	240	77	(139)	(265)	(75)
Net income (loss)	259	384	641	392	(2,039)
Net income (loss) per share-basic	.30	.45	.79	.50	(2.58)
Net income (loss) per share-diluted	.29	.42	.76	.49	(2.58)
Market closing price per share - end of year	7.42	14.00	6.75	18.25	2.72
Book value per share at end of year	15.07	15.99	16.36	15.93	15.43
Cash dividends declared	.00	.00	.00	.00	.00
At December 31:					
Total assets	$43,126	$33,369	$36,498	$24,384	$28,553
Short term debt	1,946	200	0	0	0
Long term debt or accounts payable	3,609	0	0	91	272
Total capital	13,968	13,611	13,235	12,587	12,196
Segment information for the year ended December 31:					
Capital Medical Equipment-sales	$28,708	$25,819			
Capital Medical Equipment -gross margin percent	27%	29%			
Capital Medical Equipment -operations income	198	439			
Healthcare Products Distribution-sales	28,946	21,520			
Healthcare Products Distribution-gross margin percent	13%	13%			
Healthcare Products Distribution-operations loss	(639)	(1,316)			
Healthcare Products-sales	*	*	$39,049	$33,182	$19,750
Healthcare Products-gross margin percent	*	*	24%	25%	29%
Healthcare Products-operations income (loss)	*	*	(66)	243	(2,527)
Healthcare Services-sales	12,963	8,779	6,015	3,946	1,860
Healthcare Services-operations income (loss)	536	476	218	(464)	(1,086)

** the company expanded to three segments in 2002 and restated 2001*

Corporate Directory

BOARD OF DIRECTORS

Roberta Lipson
Chairperson of the Board of Directors
Chief Executive Officer and President
Chindex International, Inc.

Elyse Beth Silverberg
Executive Vice President and Secretary
Chindex International, Inc.

Lawrence Pemble
Executive Vice President Finance and Business Development
Chindex International, Inc.

Robert C. Goodwin, Jr.
Executive Vice President Operations, Treasurer and General Counsel
Chindex International, Inc.

A. Kenneth Nilsson
Chairman and Chief Executive Officer
Eureka Group, Inc.

Julius Y. Oestreicher, Esq.
Partner
Oestreicher and Ennis

Carol R. Kaufman
Vice President and
Chief Administrative Officer
The Cooper Companies, Inc.

EXECUTIVE OFFICERS

Roberta Lipson
President and Chief Executive Officer

Elyse Beth Silverberg
Executive Vice President and Secretary

Lawrence Pemble
Executive Vice President Finance and Business Development

Robert C. Goodwin, Jr.
Executive Vice President Operations, Treasurer and General Counsel

SENIOR MANAGEMENT

Ronald Zilkowski
Senior Vice President Finance and Corporate Controller

James H. Spear, Jr.
Senior Vice President
Healthcare Products Distribution

Walter Stryker, Jr.
Senior Vice President
China Administration

Guo-Dong Sheng
Vice President
Medical Equipment

David J. Hofmann
Vice President and
General Manager- Hong Kong

Andrew S. Nevin
General Manager
Beijing United Family Hospital and Clinics

GENERAL INFORMATION

Form 10-K Availability:
The Company will provide to any beneficial owner of its stock, without charge, a copy of its annual report on SEC form 10-K upon written request to the Corporate Offices.

Listing:
Nasdaq symbol: "CHDX"

Company Information:
To obtain materials about our Company please contact the Corporate Offices or check the Company website at www.chindex.com

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