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# CHINDEX

Chindex International, Inc.

## AN OVERVIEW

### General Profile

Chindex International, Inc. (Chindex)\* is a leading American company in the healthcare sectors of the Chinese marketplace, including Hong Kong. Founded in 1981, the Company has accumulated unique executive management expertise in China trade and a dominant competitive position in its healthcare market sectors.

Chindex is an American public company traded on the NASDAQ stock exchange. It is a New York corporation with company headquarters located in the Washington, D.C. metropolitan area. Chindex has over 400 employees worldwide, most of whom reside in China and Hong Kong. In China, Chindex operates three representative offices, three subsidiary companies, and four joint ventures.

The Company's business activities are conducted in China including Hong Kong. Revenues are generated from the sale of healthcare products and the provision of healthcare services. On the basis of exclusive agreements, the Capital Equipment Division of Chindex markets, sells, and facilitates the export of select capital healthcare equipment and instrumentation to China. It is the largest independent U.S. distributor of healthcare equipment in China. Through a network of wholly foreign-owned subsidiaries, the Company's Healthcare Products Distribution Division imports and distributes off-the-shelf healthcare instrumentation and consumable products. The Healthcare Services Division revenue is generated through the Company's private hospital network, Beijing United Family Hospital and Shanghai United Family Hospital (anticipated to begin operations in 2003).

The Chindex growth plan includes continuing expansion of the capital medical equipment and instrumentation business, rapid expansion of the Products Distribution 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 Family Hospital model, to serve China's growing middle class.

### History

Chindex was founded in June 1981 to take advantage of the marketing opportunities presented by the commercial opening of China to the West in the late 1970s and early 1980s. The Company opened initial offices in Beijing and New York in order to provide representative

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\* U.S.-China Industrial Exchange, Inc. has long been known as "Chindex," its original telex address acronym from the early 1980s. Beginning in 1998, the Company formally began doing business as Chindex International, Inc., although its legal name remains U.S.-China Industrial Exchange, Inc.

services, including product marketing, sales, distribution, and technical support to Western manufacturers of electronic instrumentation and industrial machinery.

During its early years of operation, Chindex began work in the healthcare and industrial machinery market sectors. Relationships were initiated with manufacturers of a variety of capital medical instrumentation and off-road construction and mining machinery. By the end of its second year, the Company had hired its first in-house technical support engineer in order to provide service in connection with its sales. By 1985, the Company had developed an organizational structure which consisted of two discrete marketing groups: capital healthcare equipment and industrial machinery. The Company has been continually active in pursuit of new product areas, technologies, and emerging market segments in China.

In response to the fast-paced development of the Chinese market-oriented economic reforms through the mid-1980s, the Company opened regional offices in Guangzhou (southern China) and Shanghai (central China) to expand its sales capabilities. In addition, to expand its technical service capabilities, Chindex opened its first joint venture, the Chindex Meheco Service Center, which provided access to bonded warehouse facilities for the importation of spare parts inventories utilized by the Technical Service operations of the Company. As the Chinese economy has continued to show exceptional growth rates over the course of the 1990s and into the 21<sup>st</sup> century, Chindex has pursued the expansion of its business operations through staff and facilities expansion, as well as increased product offerings. The regional offices support a network of territory sales managers, local area regional representatives, and technical service engineers throughout the country.

In order to increase the Company's overall market access in China, Chindex opened its first foreign subsidiary, Chindex Tianjin, in the Tianjin Free Trade Zone in 1994. A second subsidiary, Chindex Shanghai, was opened in the Waigaoqiao Free Trade Zone of Shanghai, in mid-1998. The subsidiaries provide Chindex with a unique nationwide logistics system for distribution of off-the-shelf medical devices and consumables used in hospitals as well as over-the-counter (OTC), home healthcare, and health-oriented products sold to consumers in retail pharmacies.

In early 1996, Chindex established operations in Hong Kong through another foreign subsidiary, Chindex Hong Kong. This subsidiary was staffed initially for sales and technical support in the healthcare sectors of the Hong Kong market and has since expanded its role as a legal platform for other Company businesses operating in mainland China.

Chindex is committed to the long term growth potential of the China marketplace. Throughout its twenty year history, the Company has taken extraordinary care to maintain a balance of administrative, sales, and technical support capabilities in each product sector and geographic area over the course of its development.

To provide funding for growth initiatives and to capitalize on its sustained investment and long-term management expertise in China, Chindex successfully completed two public offerings in the mid-1990's. The first, in August of 1994, raised approximately \$7.4 million and the second, in November of 1996, raised approximately \$10 million. This funding base allowed the Company to initiate and develop an aggressive growth plan based on expansion of its traditional healthcare equipment sales and service operations, development of primary healthcare ventures, expansion of

product distribution capabilities in healthcare products, and investment in the growth of the Hong Kong market services.

To address the long-term financing needs of its capital medical equipment customers in the China marketplace, Chindex has been a leader in working with the U.S. Government to utilize direct loan and loan guarantee programs to extend financing to Chinese buyers through the Chinese Ministry of Public Health. The first such program was delivered in 1995-96, with a value of \$8.4 million in capital medical equipment supplied various hospitals throughout China. It was guaranteed by the U.S. Export – Import Bank. In total the Company has completed three loan programs totaling over \$35 million and is currently working on its fourth. These transactions have helped to sustain Chindex’s competitive advantage in the face of increased competition from European competitors in the China marketplace.

In September of 1997, Chindex opened Beijing United Family Hospital (Beijing United), a joint venture between Chindex and the Chinese Academy of Medical Sciences. The unique Chindex Healthcare Network brought comprehensive international standard private healthcare services to China for the first time. The Chindex multi-year development plan includes a series of family hospitals and clinics in major metropolitan centers in China to open over the next several years. The second Chindex United Family Hospital will be established in Shanghai. The hospital has been approved by the Chinese government and is expected to open in Shanghai in 2003.

At the end of 1997, Chindex announced a significant restructuring of Company operations to focus exclusively on its strengths in the healthcare industry. Chindex has phased out its involvement in the industrial sector. Chindex believes that this strategic positioning will allow it to focus its efforts and investment into healthcare-related products and services, thereby strengthening the Company’s position as it enters the next century of growth in Asia.

Chindex has recognized from its inception that the key to long term success in the China market is strategic long-term product positioning, unwavering dedication to customer service, and a commitment to day-to-day flexibility in the marketplace. This fundamental business philosophy is reflected in the Mission Statement which is common to all Chindex companies and ventures:

Prosper as a Cross Cultural Company  
By Providing Leading Edge Healthcare Technologies,  
Products and Services  
to the Greater Chinese Marketplace with Pride.

## CAPITAL MEDICAL EQUIPMENT

Since its founding in 1981, Chindex has invested in its operations in the marketing and sales of capital medical equipment. Chindex is now the largest independent U.S. distributor of healthcare equipment in China.

On the basis of exclusive distribution agreements, Chindex offers manufacturers of top-quality capital healthcare equipment access to the greater Chinese marketplace through a wide range of marketing, sales, technical, and distribution services for their products. Through a matrix of dedicated marketing and technical service departments, local area product and technical specialists, and local area territory representatives, the Company provides comprehensive marketing coverage on behalf of its clients and suppliers on a nationwide basis. Marketing efforts are based on annual marketing plans developed by each marketing department within Chindex for each product, and normally include attendance at a variety of trade shows throughout China, advertisement in leading Chinese industrial, trade, and clinical journals, production of Chinese language product literature for dissemination to the potential customer base, direct mail and telemarketing campaigns, and other product promotions.

The capital medical instrumentation business is managed by the Medical Department, which focuses on exporting top quality Western capital medical equipment to the China market. These export sales are denominated in U.S. dollars and are made to China's larger hospitals. The Medical Department is organized both by clinical or therapeutic product specialty and by region. Sales representatives are responsible for one or two related product lines, and are assigned to one of six regional Territory Teams. Each Team is headed by a Territory Manager, and is made up of 6-7 sales representatives. The Team's functions are to establish, maintain, and develop Chindex's presence in the market on a local level within a region; tap the existing customer base to identify business opportunities; and ensure a high level of support to existing customers.

Product Managers are responsible for determining and implementing the overall market and sales strategies for a product or group of related products. They manage a Product Team, comprised of clinical, marketing, technical, and sales staff. The Product Manager works with the Territory Teams to set goals for each region for their product line(s). The Product Teams then work closely with the sales representatives in the field to follow up with prospects, provide marketing and sales support, and increase business activities.

Product Managers and Territory Managers report to the Department Manager and Assistant Department Manager, as do a small team of administrative and logistical support staff. The Department Managers coordinate the efforts of the Product and Territory Teams, and interface with Chindex's other business divisions to streamline the internal coordination process and to maximize sales opportunities nationwide. They also work closely with luminaries and cultivate relationships with important leaders in the healthcare field, building strategic alliances which will positively impact business development.

The Medical Department markets its products directly to hospitals, through hospital administrators and the doctors who are the ultimate users of the products. There is virtually no private practice of medicine in China and all physicians are affiliated with hospitals or similar institutions. The Company's marketing is addressed to all relevant participants in the purchasing decision, including the doctors and hospital administrators. Chindex has sold products to approximately 2000 hospitals in China, many of which have been repeat customers.

The work of the Technical Service unit of the Company is closely tied to that of the Medical Department. Chindex is responsible for the technical support of virtually all the medical equipment it sells. To support its capital healthcare equipment business, the Company owns and operates a full-service technical service center. This service center supports spare parts inventories and factory-trained service engineers on a nationwide basis. It also makes use of a joint venture organization, the Chindex Meheco Technical Service Center, which provides access to bonded warehousing facilities.

Chindex's Hong Kong subsidiary was opened in 1996 to address the local Hong Kong market. In this market, Chindex offers marketing and distribution services similar to what it provides in the mainland, but tailored to the specific characteristics of the Hong Kong marketplace. On behalf of and in conjunction with its clients, Chindex Hong Kong participates in the tendering process for the sale of equipment to public hospitals. In addition, Chindex Hong Kong also markets separately to the private hospital system in that territory.

Since 1995, Chindex has been utilizing loans and loan guarantees from the Export-Import Bank of the United States (Ex-Im Bank) to help hospitals in China finance their purchases of medical equipment from Chindex. While these transactions are primarily used to promote purchases of the products that Chindex exclusively distributes in China, equipment manufactured by non-client suppliers has also been incorporated. Some of the manufacturers who have participated in Chindex's Ex-Im Bank-supported contracts include Siemens, Marconi Medical Systems, Spacelabs Medical, Draeger Medical, ADAC Laboratories, Alcon Laboratories, Stryker Corporation, and PerkinElmer.

Among its many clients, the Chindex Medical Department is proud to represent the following manufacturers of premier healthcare instrumentation and systems:

### Diagnostic Imaging

Siemens AG is a world leader in the manufacture of medical equipment. In 2001, Chindex and Siemens entered into a five year agreement calling for Chindex to be the exclusive distributor in China and Hong Kong for the Siemens line of diagnostic color ultrasound imaging devices manufactured by Acuson Corporation, a Siemens company and by Siemens Medical Solutions. Chindex has been the the exclusive Acuson distributor in China since Acuson entered the China market in 1987, and in Hong Kong since 1997. For more information see [www.acuson.com](http://www.acuson.com) and [www.siemensultrasound.com](http://www.siemensultrasound.com).

Hologic, Inc. is a leading developer, manufacturer and supplier of bone densitometers, mammography and breast biopsy devices, and direct-to-digital X-ray systems. Chindex became the exclusive representative for Hologic's bone densitometry and mammography product lines throughout China in 2001. For more information see [www.hologic.com](http://www.hologic.com).

## Diagnostic Chemistry

Ortho-Clinical Diagnostics, Inc., a Johnson & Johnson company, is the world's leading manufacturer of dry slide chemistry analyzer system developed originally by the Eastman Kodak Company. The dry slide reagents used in all of these analyzers are supplied nationwide to Chinese customers through the Chindex logistics distribution network managed by the Products Distribution Division. For more information see [www.orthoclinical.com](http://www.orthoclinical.com).

Nova Biomedical, Inc. is a leading American manufacturer of medical laboratory analysis equipment used in critical care as well as central laboratory environments in the hospital. Chindex has represented Nova Biomedical in the China market since 1986. For more information see [www.novabiomedical.com](http://www.novabiomedical.com).

## Hospital Systems and Supply

Steris Corporation is a leading provider of infection prevention, contamination prevention, microbial reduction, and surgical support systems, products, services, and technologies. Since 1996, Chindex has marketed the Steris lines of surgical equipment in China. In addition, Chindex markets Steris' line of Amsco sterilizers – the established leader in infection control and surgical equipment, services, and consumable products for the healthcare and scientific markets. For more information see [www.steris.com](http://www.steris.com).

Aerocom Systems is a leading worldwide supplier of pneumatic tube systems. Chindex has marketed the Aerocom system nationwide in China since 1999. For more information see [www.aerocom-usa.com](http://www.aerocom-usa.com)

## Cardiology

Bard Electrophysiology is the global technology leader in the manufacture of products which aid in the diagnosis and treatment of electrophysiology disorders. Chindex assumed the exclusive distributorship of Bard's Computerized Labsystems for China in 1999. The Labsystems are used in cardiac cath labs and complement Chindex's other cardiology product offerings. For more information see [www.crbard.com](http://www.crbard.com).

PLC Medical Systems, a wholly-owned subsidiary of PLC Systems, manufactures The Heart Laser™ System, a patented and innovative technology for Transmyocardial Revascularization (TMR), a new cardiosurgical procedure with the potential to provide patients suffering from coronary artery disease with a third alternative to angioplasty and cardiac bypass surgery. Chindex began to represent PLC in China in early 1998. For more information see [www.plcmed.com](http://www.plcmed.com).

In its ongoing pursuit of new products and technologies to introduce in the China and Hong Kong marketplaces, Chindex management, sales, and marketing teams are constantly reviewing and evaluating new top-quality products and technologies to complement the existing product portfolio. As the traditional core business of the Company, the Medical Department plays

a primary role in furthering the reputation that Chindex has built as an American healthcare company in China.

## HEALTHCARE PRODUCTS DISTRIBUTION

Until a few years ago, foreign trade regulation in China made it nearly impossible for foreign companies to participate in domestic trading operations. Foreign companies were, and to a large degree still are, prohibited from importing goods themselves and selling them directly to the Chinese market, and have, by and large, been unable to invest in foreign trade enterprises. When the regulations began to ease slightly in the mid-1990s, Chindex seized the opportunity to establish Chindex Holdings International Trade (Tianjin) Ltd. (Chindex Tianjin), a wholly foreign-owned enterprise (WFOE) chartered in the Tianjin Free Trade Zone with dedicated bonded and Customs-cleared warehouses.

Chindex Tianjin enabled Chindex to import certain types of foreign products denominated in U.S. dollars or other foreign currencies and to sell these products for RMB to domestic Chinese customers, giving Chindex complete logistical control over the distribution process, including importation, Customs clearance, warehousing, marketing and sales, and physical distribution. Moreover, Chindex Tianjin also provided the capability to establish facilities for co-packaging, light processing, and other value-added services.

In order to increase the efficiency and effectiveness of the nationwide system, in mid-1998, Chindex opened a second WFOE distribution center in Shanghai, Chindex Shanghai International Trading Co., Ltd. (Chindex Shanghai), which now serves as the main distribution facility for the Products Distribution network. Additional local storage facilities were opened in Beijing and Guangzhou in 1999. The Chindex Products Distribution Department is focused on supply chain management and sales to dealers and retail organizations, rather than directly to end users. The products sold through the Products Distribution Department are low-value, off-the-shelf healthcare instrumentation and consumable healthcare products, as well as personal care and home healthcare products sold through retail pharmacies.

Marketing and sales of the products sold through the Chindex Products Distribution Department are managed by dedicated product managers for each main product line coupled with regional sales teams and a route sales force. The regional sales teams manage a network of over 600 value-added dealers which carry local stocks and target the 500-or-more-bed hospitals in the country. Chindex also employs a route sales force to supply the emerging retail pharmacy market through the Chindex-managed direct supply pipeline.

The Chindex Products Distribution Department was developed on the basis of a core group of experienced managers, with years of success in the areas of logistics and local area dealer network management, and hospital and retail sales and marketing. The Department is in turn supported by the Company's extraordinary wealth of on-the-ground management expertise. The Products Distribution Department is comprised of three primary areas of focus: Hospital Dealer Sales, Retail Sales, and Logistics Services.

## Hospital Dealer Sales

Through its Hospital Dealer Sales business unit, the Chindex Products Distribution Division taps the substantial and growing market for high quality imported medical consumables and low-priced instrumentation via a value-added network of sub-distributors located throughout China. The network was started in 1995 and has grown to encompass over 600 dealer partners who cover all of China's 350 hospitals with more than 500 beds. These hospitals account for approximately 80% of the demand for imports in China.

Chindex is pleased to provide marketing, logistical, and distribution services to the following manufacturers of medical instrumentation and consumables through its Products Distribution Hospital Dealer Sales unit:

Guidant Corporation is a world leader in the design and development of cardiovascular products. In 1999, Chindex assumed the exclusive distributorship for Guidant's line of vascular intervention products, including the family of Coronary Stent Systems. For more information see [www.guidant.com](http://www.guidant.com).

Hudson RCI is a world leader in the development of disposable products for the respiratory care and anesthesia markets. Since 2000, Chindex has distributed an increasingly wide range of Hudson RCI products, including Sheridan catheters, previously manufactured by Tyco/Kendall. For more information see [www.hudsonrci.com](http://www.hudsonrci.com).

Terason division of Teratech Corporation manufactures an ultra-portable, microminiaturized PC based ultrasound system. Terason's ultrasound product was designed to cater to the increasing need for cost containment in the healthcare industry, by bringing the immediacy of ultrasonic diagnosis to the patient at first examination without compromising the diagnostic power of the imaging tool. The partnership between Chindex and Terason began in 2001. For more information see [www.terason.com](http://www.terason.com).

Truphatek is an Israeli manufacturer of laryngoscopes. Chindex has been the exclusive distributor for Truphatek in China since 1993. Since 1997, Chindex's Products Distribution Department has assumed responsibility for stocking, marketing, and distributing these instruments throughout China. For more information see [www.truphatek.com](http://www.truphatek.com)

Tuttanauer is the world leader in tabletop autoclave sterilization systems, which are used in many medical applications including ophthalmology, dentistry, and operating rooms. Chindex and Tuttanauer began their partnership in the China marketplace in 1993 and have attained overwhelming market share in China for imported autoclaves. For more information see [www.tuttanauer.com](http://www.tuttanauer.com).

## Retail Sales

Chindex is rapidly establishing a distribution network for branded healthcare and health-related consumer products to China's burgeoning retail pharmacy sector. Sales began in mid-1998 in Shanghai and plans call for coverage of all of the major pharmacies in the top 30 urban markets (accounting for about 80% of demand and purchasing power for imported consumer goods).



Chindex's personalized, high service approach calls for intensive coverage of all partner outlets by a field force of customer service representatives. Several new product areas are under development in parallel with the rapidly growing distribution capabilities.

Chindex is paving the way into retail pharmacy distribution through a partnership with the world's largest producer of cosmetic products. Under the partnership agreement, in 1998, Chindex became the exclusive distributor of a prominent brand of health-oriented cosmetics and skin care products. Chindex's unique ability to closely control both the inventory and the distribution channels in China have proven successful in both the test market and expansion phases of distribution for this product line. Chindex currently has exclusive distribution rights to the following premier brands, which reach the market through its Retail Sales pipeline:

- Summer's Eve brand of feminine hygiene products, manufactured by C.B. Fleet Company, Inc. See [www.cbfleet.com](http://www.cbfleet.com).
- Vichy Laboratoires brand of skin care products, manufactured by the Cosmetique Active International division of L'Oreal. See [www.loreal.com](http://www.loreal.com).
- Natural Formula brand of hair care products, manufactured by Nesh Cosmetics Ltd. See [www.natural-formula.com](http://www.natural-formula.com).

### Logistics Services

In order to assure effective and efficient product and financial flows management in the China marketplace, Chindex established its own logistics capabilities to support hospital and retail products distribution, as well as other internal customers. Through its two established distribution centers in Tianjin and Shanghai, in late 1998, Chindex began offering custom logistics services on a third party basis to principals who wish to manage their own sales and marketing channels but need assistance with physical distribution and financial management of their businesses in China. Chindex offers these services only to providers of products related to our core healthcare and health-related markets, including:

BD (Becton Dickinson) is a leader in the design and worldwide delivery of indispensable healthcare devices, systems and services. In mid-2000, BD made the strategic decision to outsource their logistics function to Chindex, due to Chindex's wealth of expertise in this area, allowing BD to focus on manufacturing, marketing, clinical education, and sales management. For more information see [www.bd.com](http://www.bd.com).

Whitney International, Inc. markets and sells Codonics medical printers and paper in China. Codonics, Inc. is the market leader in color imagers and color media with the largest installed base of color imagers in the world. In early 2000, Chindex assumed the role of logistics provider for Whitney's Codonics business throughout China. See [www.codonics.com](http://www.codonics.com).

In conjunction with the growth and expansion of the Products Distribution Division infrastructure, Chindex is investigating new potential product areas in the healthcare sector, as well as new product lines that complement the products which are currently imported and distributed by

the division. Chindex has invested heavily in its Products Distribution capabilities and, as an integral part of the Company's growth plan, Chindex plans to continue to capitalize on that investment.

## HEALTHCARE SERVICES

As a leading supplier of medical instrumentation to the healthcare industry in China for 20 years, Chindex is proud of its role in the advancement of healthcare services in China. Using this extensive expertise in healthcare as a foundation, in 1994 Chindex began a long-term program to establish the Chindex Healthcare Network, the first private hospital network in China. In September of 1997, Chindex opened Beijing United Family Hospital and Clinics (Beijing United), marking the successful completion of the first phase of its program. Beijing United is the first officially-approved private, international-standard hospital in China. Future phases of the Chindex Healthcare Network will expand delivery of international-standard healthcare services to China's growing middle class throughout the country.

### Beijing United Family Hospital and Clinics

Beijing United ([www.beijingunited.com](http://www.beijingunited.com)) is a unique, state-of-the-art, fee-for-service, 20-bed specialty hospital providing primary family care for expatriates and Chinese citizens in Beijing. The hospital is housed in a modern facility in the eastern section of Beijing, and features seven birthing suites, two operating suites, an inpatient pediatric ward, clinical laboratory and diagnostic imaging facilities, as well as a pharmacy and a large outpatient clinic. An affiliated dental clinic was opened in a satellite facility adjacent to Beijing United in January of 1999.

Expansion of the Beijing United facility to its eventual 50 bed size is already underway. The multi-phase expansion plan will offer a greater range of patient services and facilities. In addition, plans are underway to open affiliated satellite clinics throughout Beijing to provide outpatient services. The first such satellite clinic will be located in Shunyi County just north of Beijing. The Shunyi Clinic, operating as part of Beijing United, will be the only outpatient clinic located in the densely expatriate populated suburb. The clinic services will include Family Medicine, Family Dentistry, Counseling and visiting specialists as required.

Emphasizing the need for well-care and patient-centered care, Beijing United offers a full range of top-quality family healthcare services, including mental health services, for men, women, and children. The Hospital is staffed by a mix of Western and Chinese physicians and operates on international hospital standards. Beijing United is also committed to community outreach programs, and offers healthcare education classes, including CPR, Lamaze, and Stress Management.

Beijing United was the first officially approved healthcare joint venture to provide international-standard healthcare services in China. It was formed as a 90/10 contractual joint venture between Chindex and the Chinese Academy of Medical Sciences and received its initial national level approvals from the Chinese Ministry of Public Health (MOPH) and Ministry of Foreign Trade and Economic Cooperation (MOFTEC) in 1995. Chindex invested a total of \$4.0 million in the hospital and retains 100% ownership, as well as complete operational control. The venture markets its services to the expatriate and affluent Chinese communities in Beijing.

With Beijing United, Chindex has introduced a new standard of quality in healthcare in China. As such, Chindex envisions an important role for Beijing United in serving as an educational model for future Chindex hospitals.

### Shanghai United Family Hospital and Clinics

In late 2001, Chindex received approval from the Chinese Ministry of Health to open a second hospital venture. The new hospital will be located in Shanghai and in its final phase will be a 50-bed facility, offering a full range of inpatient and outpatient services to both Shanghai's expatriate and Chinese communities. Like Beijing United, Shanghai United is a joint venture hospital, between Chindex and Changning District Central Hospital. Shanghai United is scheduled to open in phases beginning in 2003.

### Chindex Healthcare Network Expansion

Chindex's strategy is to project quality specialty healthcare into affluent Chinese society. The Chindex Healthcare Network will provide family healthcare to China's growing urban middle class population. The Chindex strategic business plan calls for the establishment of additional 50 bed hospitals, each with affiliated satellite clinics, in selected urban cities throughout eastern China. These hospitals will be networked with each other and with Beijing United, through a central administrative arm. In addition to the top-quality primary family healthcare services that will be available at each hospital in the network, Chindex also plans to integrate visits by rotating specialists to each hospital, expanding the range of services offered.

Guangzhou United Family Hospital and Clinics (Guangzhou United) is planned to be the third hospital in the Chindex Healthcare Network. In the early stages of development now, Chindex currently anticipates that Guangzhou United will be established an operational in 2004.