

**VCALL, INC.: CHINDEX INTERNATIONAL, INC.**

*Fiscal Year 2007 Second Quarter Financial Results*

**Moderators: Ms. Roberta Lipson and Mr. Larry Pemble**

**November 9, 2006**

**10:00 a.m. ET**

**Ms. Roberta Lipson:** Good morning to you all. I am Roberta Lipson, CEO of Chindex International.

It is my pleasure to welcome you all to this conference call in which we will discuss the Chindex International Fiscal Year 2007 Second Quarter Results.

We have recorded our initial comments in advance, which will be followed by a live Q&A session.

Joining me in on the call is Lawrence Pemble, our CFO.

Before I proceed with my summary of operating results for the period and an update on recent events, I'll ask Larry to read the Safe Harbor Statement. Following my comments, Larry will add some additional comments. And then, we'll turn to Q&A.

Larry, will you please read the Safe Harbor Statement?

**Mr. Larry Pemble:** Yes. Thank you, Roberta, and good morning everyone.

Statements made in this conference call relating to plans, strategies, objectives, economic performance and trends, and other statements that are not descriptions of historical facts, may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, the Exchange Act.

Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, the factors set forth under the heading "Risk Factors" in our annual report on Form 10-K for the year ended March 31, 2006, updates and additions to those risk factors in our interim reports on Form 10-Q and in other documents filed by us with the Securities and Exchange Commission from time to time.

Forward-looking statements may be identified by terms such as “may,” “will,” “should,” “could,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “forecasts,” “potential,” or “continue,” or similar terms or the negative of these terms.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We have no obligation to update these forward-looking statements.

**Ms. Roberta Lipson:** Thank you, Larry.

We announced our September 30th, 2006 results in a press release this morning, which included our full income statement, balance sheet, and divisional results for the period. Assuming you have had a chance to review the press release and can refer to the specific numbers, as we have done in the past, I'll use this call to summarize operational results for the quarter and give updates on the current and upcoming issues in each division of the business, followed by an opportunity for our questions and answers.

Our objectives for fiscal 2007 are to continue strong growth in revenues and increase profitability in the healthcare services division and to regain historical growth rates and profitable operations in the medical products division. I am pleased to say that we had another profitable quarter in both divisions and with the exception of a complete return to historical rates of revenue growth in the medical products division, are still on track to meet our objectives for the year.

We had a good quarter in the healthcare services division with operating profits of just under \$700,000 on revenues of 10.8 million. Revenue growth was 27 percent increase over the prior year.

Expenses increased 25 percent year-on-year and are in line with expected operating standards for hospitals of our size and staffing model. The United Family Healthcare Network consists of our owned, operated and USH branded hospitals in Beijing and Shanghai. In Beijing, this includes Beijing United Family Hospital and Clinics and two affiliated satellite clinics. In Shanghai, it includes Shanghai United Family Hospital and Clinic and one affiliated clinic.

In the second quarter, we had the exciting announcement of the first comprehensive global PPO insurance product available in China with United Family Hospital Network as the preferred provider. As you all know, we have been working hard to bring such an insurance product to market in China which would allow Chinese people easier access to the services at United Family Hospitals.

This is one of the key components of our long-term growth strategy. Since the announcement of this policy, the reception has been excellent. The first policies are in the process of being signed and we expect many more to come.

Having said that, I want to reiterate that this is the first of what we expect will be many insurance products to come. We are already working on the next generation of more affordable insurance products, which we believe will eventually provide a compelling United Healthcare Network solution for companies in China which want to provide a more comprehensive and attractive health benefit to their workforce than that which is currently available from the public system.

During the quarter, we also made significant progress in the development cycles for new United Family facilities to be located in Guanjo and Beijing, as well as the hospital and clinic management projects Ningbo and Wuxi.

Both the Guanjo and Beijing facility projects will require significant capital funding and discussions related to that are now underway. It's always difficult to put an exact timeline on these types of projects in China. However, I can tell you that the momentum of the United Family Healthcare Network is increasing rapidly and we have many more exciting opportunities ahead of us.

Moving on now to the medical products division - although there continue to be substantial challenges for the products division, we were pleased to see a 10 percent increase in revenue year-on-year, as well as profitable results on the quarter.

One of the major highlights to the quarter was announced a few days ago. That was the sell of the da Vinci Surgical System from Intuitive Surgical to 301 Army Hospital in Beijing. This was the first da Vinci system sold in Mainland China and we could not have picked a better reference site.

As the interest in the da Vinci system grows in China, we are ready to capitalize on the investment we have made in introducing this revolutionary concept product to the China market where we are the exclusive distributor.

We have several more da Vinci system sales in the pipeline now, both in China and Hong Kong. While it is impossible to say just how big the market for a system like this will be in China over time, it is certain that just as China has adopted cutting edge medical technologies in the past, this revolutionary system will enjoy continued popularity for some time to come.

We also had substantial sales in ultrasound during the quarter. As you know, together with Siemens, we launched a new generation of ultrasound products in both the premium and mid-tier markets late last year. In each market segment, the new products represented significant technology developments in diagnostic ultrasound and reestablished the Siemens product offering in both classes at the top of the market.

During the quarter, we were awarded an important contract for the supply of 82 mid-tier units to a providence whose Bureau of Health decided to tender a full year's budgetary requirement in one consolidated bid. This was a major win for our ultrasound team and clearly stated to the market that Chindex and Siemens maintain major market share positions in every market segment in which we compete.

Our revenue for the period also included a portion of our current German KFW development bank contract. We will make the final delivery of product for this KFW project in the third quarter. We are now actively bidding new KFW projects, which we expect will result in significantly increased levels of revenues in the future.

These loan packages are intensely complex to arrange and administer. We have invested in developing the expertise to conduct this business and we expect that this investment will yield great results going forward.

I have no new updates from last quarter to the US XM Bank situation. The current process of negotiating sub-agreements between XM and the commercial banks authorized by the Chinese Ministry of Finance is continuing and we are hopeful that we will be able to once again access this attractive financing source for our Chinese customers in the near future.

These are the positive aspects to the results of the products division this quarter. However, the negative issues impacting this division that have been with us for several quarters continued during this period, as well.

They included several aspects related to the Chinese government's ongoing program aimed at reforming and controlling the process of purchasing throughout the Chinese healthcare system. These programs include those aspects that we have mentioned previously including increased regulatory requirements for product registration and public tendering.

This campaign has been moving from providence to providence through the country over the past several months and has effectively slowed down the purchasing process. There have historically been ups and downs in the rate of medical device imports and purchases due to the implementation of government reforms or periods of fluctuations due to government policy changes or campaigns.

These occasionally impact our results, as they have again this quarter. However, we do not see a weakening in the demand for imported medical devices in the market or our leadership position as a supplier over the long run.

This concludes my updates on the quarter. Before opening to Q&A, Larry, do you have any additional comments?

**Mr. Larry Pemble:** Thank you, Roberta.

Our 10-Q for the period will be filed tomorrow. If we take a quick look at the balance sheet at September 30th, equipment AR is up due to the high value da Vinci in KFW sales, which Roberta just mentioned. Patient services AR continues to be about at

the same levels as June 30th due to strong cash collections and increases in the reserve for doubtful.

Inventories are basically flat. We've reconciled several tax issues on both China and US entities, which had impacted our tax provision in the first quarter. Other current assets increased notably during the period related to the issuing of performance bonds on a large contract in the products division.

AP and accruals are up, related to the sales in the products division at quarter-end. Short term debt is down significantly as we paid off a large note due to a vendor and loan terms increases - we booked a note payable to a vendor on extended terms.

On the income statement for the quarter, the only item with notable variance is selling and marketing expense in the products division, which decreased compared with the prior year due to lower compensation expenses as a result of certain management transitions and lower promotional expenses related to certain hospital products.

Roberta, those are my only comments at this point.

**Ms. Roberta Lipson:** Thank you, Larry. This concludes the pre-recorded portion of our call. We'll now open the floor up for live questions and answers.