

iKang Healthcare Group, Inc.
Form 20-F
August 10, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001- 36403

iKang Healthcare Group, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

B-6F, Shimao Tower

92A Jianguo Road

Chaoyang District, Beijing 100022

People's Republic of China

(Address of principal executive offices)

Yang Chen, Chief Financial Officer

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92A Jianguo Road

Chaoyang District, Beijing 100022

People's Republic of China

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American depositary shares (each representing 1/2 Class A common shares, par value US\$0.01 per share)	The NASDAQ Stock Market LLC
Class A common shares, par value US\$0.01 per share*	(The NASDAQ Global Select Market) The NASDAQ Stock Market LLC
	(The NASDAQ Global Select Market)

* Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American depositary shares. Currently, two ADSs represent one Class A common shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

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None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

33,916,439 Class A common shares and 805,100 Class C common shares as of March 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transaction report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

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If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standard Boards

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report on Form 20-F only:

- **ADSs** refers to our American depositary shares, each of which represents Class A common shares, and **ADRs** are to the American depositary receipts that evidence our ADSs;
- **China** or **PRC** refers to the People's Republic of China, excluding Hong Kong, Macau and Taiwan;
- **fiscal 2015**, **fiscal 2016** and **fiscal 2017** means the 12-month periods ended March 31, 2016, 2017 and 2018, respectively ; references to years not specified as being fiscal years are calendar years ;
- **RMB** or **Renminbi** refers to the legal currency of China. **US\$, U.S. dollars, or dollars** refers to the legal currency of the United States;
- **tier-1 cities** or **first tier cities** refer to Beijing, Shanghai, Guangzhou and Shenzhen ; **tier-2 cities** or **second tier cities** refer to all provincial capitals and municipalities, except for the first tier cities ; and **third tier cities** refer to other municipal cities except for tier-1 cities and tier-2 cities in China ; and
- **we, us, our company, and our** refer to iKang Healthcare Group, Inc., a Cayman Islands company, predecessor entities, subsidiaries and affiliated entities.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. All statements other than statements of historical fact in this annual report are forward-looking statements.

These forward-looking statements can be identified by words or phrases such as may, will, expect, anticipate, estimate, plan, believe, likely to or other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- our anticipated growth strategies, including our plan to pursue selective acquisitions or strategic alliances, and diversify our service offerings;
- our future business development, results of operations and financial condition;
- our ability to maintain and strengthen our position as the leading preventive healthcare service company in China;
- expected changes in our revenues and certain cost or expense items;
- competition from other preventive healthcare service providers and our ability to expand our customer base;
- our ability to expand and diversify our revenue source;
- trends and competition in the healthcare industry in China;
- the PRC government policies relating to the preventive healthcare service providers; and
- general economic and business conditions in China and other countries or regions in which we operate.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the Item 3.D. Risk Factors section of Item 3 and elsewhere in this annual report. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Table of Contents**PART I****Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATION**A. SELECTED FINANCIAL DATA**

The following table presents the selected consolidated financial information for our company. The consolidated statements of operations data for the three years ended March 31, 2016, 2017 and 2018 and the consolidated balance sheets data as of March 31, 2017 and 2018 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of operations data for the years ended March 31, 2014 and 2015 and the selected consolidated balance sheets data as of March 31, 2014, 2015 and 2016 are derived from our audited consolidated financial statements that have not been included herein and were prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP. Our historical results do not necessarily indicate results expected for any future period. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and Item 5. Operating and Financial Review and Prospects below. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	2014	2015	For the years ended March 31,		2018
			2016	2017	
		(U.S. dollars in thousands, except per share data)			
Net revenues	202,304	290,781	370,812	435,713	563,932
Cost of revenues	106,405	154,943	210,909	262,134	325,656
Gross profit	95,899	135,838	159,903	173,579	238,276
Operating expenses:					
Sales and marketing expenses	28,879	41,059	64,763	74,304	96,594
General and administrative expenses	32,053	52,331	65,422	82,783	126,255
Research and development expenses	1,603	1,401	3,716	3,194	3,055
Total operating expenses	62,535	94,791	133,901	160,281	225,904
Income from operations	33,364	41,047	26,002	13,298	12,372
Gain/(loss) from forward contracts	57	(8)			

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Interest expense	(1,331)	(2,466)	(4,603)	(13,880)	(20,191)
Interest income	93	699	785	939	382
Other income		883	1,874		
Income/(loss) before provision for income taxes and (loss)/gain from equity method investments	32,183	40,155	24,058	357	(7,437)
Income tax expenses	10,101	13,280	5,838	3,354	6,791
Income/(loss) before (loss)/gain from equity method investments	22,082	26,875	18,220	(2,997)	(14,228)
(Loss)/gain from equity method investments	(156)	521	(1,732)	(9,547)	(2,448)
Net income/(loss)	21,926	27,396	16,488	(12,544)	(16,676)
Less: Net income/(loss) attributable to non-controlling interest	319	283	(1,837)	(1,293)	633
Net income/(loss) attributable to iKang Healthcare Group, Inc.	21,607	27,113	18,325	(11,251)	(17,309)
Deemed dividend to preferred shareholders	20,436	100			
Undistributed earnings allocated to preferred shareholders	7,310	201			
Net (loss)/income attributable to common and preferred shareholders of iKang Healthcare Group, Inc.	(6,139)	26,812	18,325	(11,251)	(17,309)
Net (loss)/income per share attributable to common shareholders of iKang Healthcare Group, Inc.					
Basic	(0.97)	0.82	0.55	(0.33)	(0.50)
Diluted	(0.97)	0.79	0.54	(0.33)	(0.50)
Net (loss)/income per ADS attributable to common shareholders of iKang Healthcare Group, Inc.					
Basic	(0.48)	0.41	0.28	(0.17)	(0.25)
Diluted	(0.48)	0.40	0.27	(0.17)	(0.25)

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	2014	2015	As of March 31, 2016 (U.S. dollars in thousands)	2017	2018
Total current assets	110,830	278,665	305,703	219,915	295,379
Total assets	250,226	499,001	803,641	728,491	865,155
Total current liabilities	103,442	163,147	199,000	287,160	440,529
Total liabilities	108,848	170,653	438,239	396,086	485,330
Convertible redeemable preferred shares	264,517				
Total iKang Healthcare Group, Inc. shareholders (deficit)/equity	(126,957)	319,130	342,826	312,437	355,707
Non-controlling interests	3,818	9,218	22,576	19,968	24,118
Total liabilities, mezzanine equity and shareholders equity/(deficit)	250,226	499,001	803,641	728,491	865,155

	2014	2015	For the years ended March 31, 2016 (U.S. dollars in thousands)	2017	2018
Net cash generated from operating activities	34,303	41,097	43,602	50,043	23,005
Net cash used in investing activities	(96,714)	(147,062)	(261,533)	(32,011)	(34,783)
Net cash provided/(used in) by financing activities	29,342	173,570	237,465	(52,421)	4,504
Effect of exchange rate changes	136	(490)	(8,759)	(8,824)	5,277
Net (decrease)/increase in cash and cash equivalents	(32,933)	67,115	10,775	(43,213)	(1,997)
Cash and cash equivalents at the beginning of year	63,154	30,221	97,336	108,111	64,898
Cash and cash equivalents at the end of year	30,221	97,336	108,111	64,898	62,901

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Our business is primarily conducted in China and substantially all of our revenues and expenses are denominated in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On August 3, 2018, the daily exchange rate reported by the Federal Reserve Board was RMB6.8309 to US\$1.00.

The following table sets forth information concerning exchange rates between Renminbi and the U.S. dollar for the periods indicated.

Period	Period End	Exchange Rate		
		Average(1)	High	Low
(RMB per US\$1.00)				
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7569	6.4773	6.9575
2018				
January	6.2841	6.4233	6.2841	6.5263
February	6.3280	6.3183	6.2649	6.3471
March	6.2726	6.3174	6.2685	6.3565
April	6.3325	6.2967	6.3340	6.2655
May	6.4096	6.3701	6.4175	6.3325
June	6.6171	6.4651	6.6235	6.3850
July	6.8038	6.7164	6.8102	6.6123
August (through August 3, 2018)	6.8309	6.8281	6.8380	6.8154

Source: H.10 statistical release of the U.S. Federal Reserve Board

(1) Annual averages were calculated using the average of the exchange rates on the average of daily rates during the relevant period. Monthly averages were calculated using the average of the daily rates during the relevant month.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Risks Related to Our Business

We rely on corporate customers for a significant portion of our net revenues. A reduction in demand from these corporate accounts could materially and adversely affect our business, financial condition, results of operations and prospects.

We derive a significant portion of our net revenues from our services to corporate accounts, which accounted for 83.6%, 83.6% and 81.2% of our net revenues in fiscal 2015, 2016 and 2017, respectively, and the growth in our net revenues has been primarily driven by the increase in the number of our corporate customers, which in turn increases the number of people who use our medical examination and disease screening services.

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Revenues from our top ten corporate customers accounted for 14%, 15% and 14% of our net revenues in fiscal 2015, 2016 and 2017, respectively. Our dependence on these corporate customers increases their bargaining power and the need for us to maintain good relationships with them. If any corporate customer ceases to use our services for any reason or reduces the coverage or reimbursement levels for our services, employees covered under such corporate account may opt for or be forced to use other service providers. Our dependence on corporate accounts also exposes us to risks associated with the internal management, financial condition and creditworthiness of our corporate customers. To the extent that these corporate customers significantly reduce their demand for our services, switch to other preventive healthcare services providers including our competitors, or are unable to pay us in a timely manner, or at all, due to the deterioration of their financial position or other reasons, our business, financial condition, results of operations and prospects would be materially and adversely affected. In addition, we may have to offer volume-based discounts or more favorable credit terms to corporate customers. Any consolidation, restructuring, reorganization or other ownership change in these corporate customers may also have a material adverse effect on our business, financial condition, results of operations and prospects.

We generally enter into corporate service agreements with our corporate customers for a term of six months or one year. We may not be able to renew such agreements on terms that are favorable to us, or at all. In addition, one or more of these major corporate customers may breach their agreements or fail to comply with their obligations thereunder. As a result of the foregoing, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to manage our growth and our growth strategies effectively, our business, financial condition, results of operations and prospects may suffer.

We have experienced steady revenue growth since the commencement of our operations. Our net revenues grew by 17.5% from US\$370.8 million in fiscal 2015 to US\$435.7 million in fiscal 2016, which in turn increased by 29.4% to US\$563.9 million in fiscal 2017. The number of our corporate customers increased approximately, in each case, from 30,900 to 36,400 and 41,100, and the number of our individual customers increased approximately, in each case, from 518,500 to 722,800 and 975,300 respectively, from fiscal 2015 to fiscal 2016 and fiscal 2017. While we expect our business to grow, we may not be able to maintain our historical growth rates in future periods. Revenue growth may slow or revenues may decline for any number of reasons, including our inability to attract and retain our corporate customers, decreased customer spending, increased competition, slowing growth of the overall preventive healthcare services market, the emergence of alternative business models, changes in government policies or general economic conditions. As the size of our customer base continues to increase, the growth rate of our customer base may decline over time. We may also lose customers for other reasons, such as failure to deliver satisfactory medical examination services. If our growth rates decline, investors' perception of our business and business prospects may be adversely affected.

We intend to further strengthen our leading position in the private healthcare services market in China and transform ourselves into an integrated health management company. We will continue to diversify our service offerings by providing dental care services at our medical centers as well as high-quality outpatient services through collaborating with top doctors from public hospitals. We will also continue to expand our nationwide network coverage to penetrate further into second tier and third tier cities through selected acquisitions and cooperative relationships with various third party service providers, and further grow our customer base. In addition, we will further strengthen our disease screening product offering by the launch of iKangCare+ and iKangPartner+ strategies. iKangCare+ corporate client platform is able to generate self-served

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personalized medical examination service checkup menus for each employee of the corporate customer. With iKangPartners+ plan, we aim to provide our customers with high quality services through our strong partnerships with academic institutions, medical associations, leading providers in the field of in vitro diagnosis and genetic testing, and world-class vendors in medical equipment.

There is no assurance that our growth strategies will be successful. In addition, to manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued success also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative and sales and marketing personnel, particularly as we expand into new markets. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We also need to continue to manage our relationships with our partners, suppliers and customers. All of these endeavors will require substantial management attention and efforts and require significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects.

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We may not realize the anticipated benefits of our past and potential future investments or acquisitions or be able to recruit or integrate any acquired employees, businesses or products, which in turn may negatively affect their performance and respective contributions to our results of operations.

We have grown our business largely through construction of new centers or acquisitions of existing medical centers, and we will continue to construct new centers at strategic locations and target existing medical centers for our strategic acquisitions. Any existing and future investments in new centers and acquisitions may expose us to potential risks, including, among other things:

- unidentified issues not discovered in our due diligence process, such as hidden liabilities and legal contingencies;
- distraction of management's attention from normal operations during the acquisition and integration process;
- diversion of resources from our existing businesses;
- difficulties in recruiting employees for newly constructed centers or retaining key employees of the acquired business;
- failure to realize synergies expected from acquisitions or business partnerships;
- unexpected delays in completing any such constructions or acquisitions;
- the availability, terms and costs of any financing required to fund constructions or acquisitions or complete expansion plans;
- the costs of and difficulties in integrating acquired businesses, managing a larger and growing business and operating in new markets and geographic regions; and
- acquired business failure to perform as expected and impairment costs it may incur.

We may also fail to identify or secure suitable investment or acquisition opportunities, or our competitors may capitalize on such opportunities before we do. Moreover, identifying such opportunities demands substantial management time and resources, and negotiating and financing such investments or acquisitions involves significant costs and uncertainties. If we fail to successfully source, execute and integrate investments or acquisitions, our overall growth could be impaired, and our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, we may incur losses at the beginning of a new center's operations when the utilization rate is relatively low due to smaller number of visits while costs and operating expenses are relatively fixed in nature.

Our expansion into the high-end preventive healthcare services market, including the significant capital expenditures involved, may present increased risks.

Since November 2013, we have expanded our services offerings to include high-end preventive healthcare services where we have limited operating experience. We opened and operate five medical centers under our newly established high-end brand, iKang Evergreen, in Beijing, Shanghai, Nanjing and Guangzhou and Hangzhou, respectively, and expect to increase the number of our high-end medical centers based on our growth strategies. Our iKang Evergreen medical centers are located at prime sites at the business districts in the first tier and second tier cities of China and equipped with advanced medical equipment to offer screening services including MRI scans, multi-slice CT screening and various cancer tests and genetic marker evaluations. We also arrange for international experts from world-renowned institutions and teaching hospitals to pay regular visits to our iKang Evergreen medical centers and provide second opinions and U.S. doctor referral services.

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Therefore, we expect to incur significant costs and expenses such as the rental and purchase amount of the medical equipment and personnel cost before such high-end medical centers begin to generate profit. In addition, the high-end preventive healthcare services market has different competitive landscape, consumer preference and discretionary spending patterns from our existing market. Consumers in this market may not be familiar with our brand and we may need to build brand awareness in this market through greater investments in advertising and promotional activities than we originally planned. Sales at such high-end medical centers may take longer than expected to ramp up and reach expected sales and profit levels, thereby affecting our overall profitability.

We could be liable and suffer reputational harm if a third-party service provider provides inferior service or harms a customer, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our nationwide network is strengthened by approximately 400 third-party service providers who provide services to our customers under cooperative arrangements with us. We require and expect these third-party service providers to possess the licenses and qualifications that are required for their operations and to adhere to certain performance standards both in terms of customer service and the quality of the medical care that they provide. We generally do not have control over the quality of service or medical care that these third-parties provide. They may not at all times possess the permits or qualifications required by laws and regulations or may fail to meet other regulatory requirements for their operations. In addition, they may engage in conduct which our customers find unacceptable, including providing poor service, mishandling sensitive personal healthcare information and committing medical malpractice. We could be exposed to reputational harm and possible liability as a result of our having serviced a customer through a third-party service provider that performs unsatisfactorily, which may result in a material adverse effect on our business, financial condition, results of operations and prospects.

The consummation of the proposed going-private transaction is uncertain, and the announcement and pendency of the transaction could materially and adversely affect our business, results of operations and financial condition.

On March 26, 2018, our company entered into a definitive agreement and plan of merger (the Merger Agreement) with IK Healthcare Investment Limited and IK Healthcare Merger Limited in connection with a proposed going-private merger. For more details, see Item 4.A. History and Development of the Company Proposed Going-private Transaction. The merger is subject to customary closing conditions, including a condition that the Merger Agreement be authorized and approved by an affirmative vote of shareholders representing at least two-thirds of the shares of our company present and voting in person or by proxy as a single class at an extraordinary general meeting of the Company s shareholders. There can be no assurance that the proposed going-private transaction will be approved or consummated. The process of consummating the proposed going-private transaction or any other significant strategic transaction involving our company could cause disruptions in our business and divert our management s attention and other resources from day-to-day operations, which could have an adverse effect on our business, results of operations and financial condition. We have incurred, and will continue to incur, significant costs, expenses, and fees for professional services and other transaction costs in connection with the proposed going-private transaction. All the fees and costs will be payable by us even if the transaction is not completed. Additionally, current and prospective employees and members of management could become uncertain about their future roles with us in the event the going-private transaction is completed. This uncertainty could adversely affect our ability to retain and hire employees and members of management. In addition, the announcement and pendency of the proposed going-private transaction could have an adverse effect on our relationships with customers and third-party service providers. If the going-private transaction is not completed, you will not receive the proposed transaction consideration and the price of our ADSs could decline. Additionally, the ongoing business of our company could be adversely affected and, without realizing the benefits of having completed the going-private transaction, our company will be subject to a number of risks, including payment of certain costs relating to the going-private transaction, even if the going-private transaction is not completed, such as legal, financial advisor and printing fees.

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We operate in a competitive environment and competing facilities and services could harm our business, financial condition, results of operations and prospects.

There are numerous hospitals and private clinics providing medical examination services and, at the high end of the market, many Chinese hospitals have VIP wards that cater to affluent customers. We face significant competition from two main types of competitors: the medical examination departments of major public hospitals and private medical examination companies. The private preventive healthcare market is further segmented into large franchise companies, regional providers and numerous local independent medical examination centers located in nearly every city in China. We compete primarily on the basis of price, quality of service, convenience, location, brand recognition, reputation and the provision of customized services. We do not have the same level of brand recognition as some of the medical examination centers of large public hospitals, and in some regional markets our brand is not as established and our geographical coverage is not as extensive as that of our private competitors. Furthermore, we lack the equipment necessary for certain highly technical medical tests. Many competing hospitals that are government-owned are exempt from income taxes on their medical income, which provides them with a significant competitive advantage over us. Competing hospitals, clinics or other facilities may commence new operations or expand existing operations, which would increase their competitive position and potentially erode our business, financial condition, results of operations and prospects.

Our business depends significantly on the strength of our brand and reputation. Failure to develop, maintain and enhance our brand and reputation or any negative publicity and allegations in the media against us may materially and adversely affect the level of market recognition of, and trust in, our services, which could result in a material adverse impact on our business, financial condition, results of operations and prospects.

Our brand and reputation are critical to our success in China's rapidly expanding healthcare management market. We believe that our iKang brand, the Chinese characters of which mean "love" and "health", is increasingly recognized among health-conscious consumers, especially in tier-1 and tier-2 cities in China, for our service quality, online and telephonic accessibility, comfortable environment and reliable service. Our strong brand has helped us to establish our company as a leading, technologically advanced, health management company in China. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand and may negatively impact our brand and reputation if not properly managed, such as:

- our ability to maintain a convenient, standardized and reliable customer experience as customer preferences evolve and as we expand our service categories and develop new business lines;
- our ability to increase brand awareness among existing and potential customers through various means of marketing and promotional activities;
- our ability to adopt new technologies or adapt our websites and systems to user requirements or emerging industry standards in order to maintain our customer experience; and
- our ability to effectively control the quality of our third-party service providers, and to monitor the service performance of such third-party service providers as we continue to expand our nationwide network.

Our brand and reputation could be harmed if, for example, our services fail to meet the expectation of corporate customers and their employees or clients. Our brand promotion efforts may be expensive and may fail to effectively promote our brand or generate additional sales. Our failure to develop, maintain and enhance our brand and reputation may materially and adversely affect the level of market recognition of, and trust in, our services, which could result in decreased sales and potential loss of customers leading to a material adverse effect on our results of operations and cash flows.

We may also face challenges from others seeking to profit from or defame our brand. For example, we historically pursued litigation against the owner of several similar copycat domain names who defamed our services on the Internet. In addition, any negative review, comment or allegation about our company, self-owned medical centers or services by the media or on social networks such as Weibo or other public online forum may harm our brand, public image and reputation. Negative publicity in relation to our services, regardless of its veracity, could seriously harm our brand, public image and reputation which in turn may result in a loss of customers and business partners and have a material adverse effect on our business, financial condition, results of operations and prospects.

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If we fail to properly manage the employment of our doctors and nurses, we may be subject to penalties including fines, loss of licenses, or an order to cease practice against our medical centers, which could materially and adversely affect our business.

The practicing activities of doctors and nurses are strictly regulated under the PRC laws and regulations. Doctors and nurses who practice at medical institutions must hold practicing licenses and may only practice within the scope and at the specific medical institutions for which their practicing licenses are registered.

In practice, it usually takes four to six weeks for doctors and nurses to transfer their practicing licenses from one medical institution to another or to add another medical institution to their permitted practicing institutions. Some of our recently hired doctors have submitted applications to transfer their practicing licenses from their previous employers to our medical centers but have not finished the process. We cannot assure you that these doctors will complete the transfer of their practicing licenses or the government procedures timely, or at all. Our failure to properly manage the employment of our doctors and nurses may subject us to administrative penalties including fines, loss of licenses, or, in the worst case scenario, an order to cease practice against our medical centers, which could materially and adversely affect our business.

Our failure to make sufficient statutory social welfare payments for our employees could materially and adversely affect our business, financial condition, results of operations and prospects.

PRC laws and regulations require us to pay several statutory social welfare benefits for our employees, including medical care insurance, occupational injury insurance, unemployment insurance, maternity insurance, pension benefits and housing fund contributions. We have not paid in full certain required insurance premiums and contribution for our employees in the past. Currently, in several medical centers, we may not be in full compliance with relevant requirements. Some of our subsidiaries have received requests from local social insurance regulatory authorities to make payments for insufficient social insurance contributions for some of their employees and we have made such payments in full upon such requests. The amount of outstanding payments relating to social insurance was approximately US\$4.0 million as of March 31, 2018. While we believe we have made adequate provision in our audited consolidated financial statements for any outstanding amounts that are not paid or withheld, our failure to make payments may be in violation of the applicable PRC laws and regulations and we may be subject to fines and penalties. According to the applicable PRC laws and regulations, employers failing to make any of these social welfare benefit payments may be ordered by the government to rectify the noncompliance and make the required payments, plus a late fee charge of up to 0.2% or 0.05%, as the case may be, of the amount overdue per day from the original due date, by a stipulated deadline after they receive written notice from the authorities. If the payment is not made by the stipulated deadline after the employer receives written notice from the authorities in the case of any of the insurance and pension benefit premia described above, the employer may be assessed by the relevant government authority for fines of up to three times the amount of any underreported obligation of the employer. An application may be made to the relevant government authority for deduction of the overdue amount from the employer's bank account or to a local court for compulsory enforcement of any of these payment obligations and an employee is entitled to compensation if the employer fails to make payments due for social welfare benefits. Late charges, penalties or legal or administrative proceedings to which we may be subject could materially and adversely affect our reputation, financial condition, results of operations and prospects.

We may need to record goodwill impairment in connection with our acquisitions in the future, which would materially and adversely affect our business, financial condition, results of operations and prospects.

As part of our business growth strategy, we have acquired and will in the future acquire or invest in medical centers from third parties. We record goodwill on our balance sheet in connection with such acquisitions and investments. U.S. GAAP requires us to review our goodwill for impairment annually or changes in circumstances indicate that the carrying value may not be recoverable, including a slowdown in the health management industry. If the carrying value of our goodwill is determined to be impaired, U.S. GAAP requires us to write down the carrying value or to record charges to earnings in our financial statements during the period in which our goodwill is determined to be impaired, which would materially and adversely affect business, financial condition, results of operations and prospects.

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The amount and age of our accounts receivable have increased in recent periods, and our results of operations may be adversely affected by increases in reserves for uncollectible accounts receivable.

The amount of our accounts receivable (net of allowance for doubtful accounts) increased from US\$74.2 million as of March 31, 2016 to US\$79.6 million as of March 31, 2017, and to US\$149.3 million as of March 31, 2018, representing 24.3%, 36.2% and 50.5% of total current assets and 9.2%, 10.9% and 17.3% of total assets as of March 31, 2016, 2017 and 2018, respectively. Moreover, accounts receivable (net of allowance for doubtful accounts) aged over six months have increased from US\$26.7 million, or 36.0% of total accounts receivable, as of March 31, 2016 to US\$25.5 million, or 32.1% of total accounts receivable (net of allowance for doubtful accounts) as of March 31, 2017, and to US\$35.9 million, or 24.0% of total accounts receivable (net of allowance for doubtful accounts) as of March 31, 2018. We have established a reserve for the portion of such accounts receivable that we estimate will not be collected on a timely basis. The specific reserve is based on historical trends and current relationships with our customers. Changes in the amount and age of our accounts receivable can result from a number of factors, including rapid growth or changes in our customer base, turnover in personnel, changes in payment policies or practices of customers, or changes in the financial health of the customers. Our reserve for uncollectible receivables has fluctuated in the past and will continue to fluctuate in the future. Changes in rates of collection, even if they are small in absolute terms, could require the company to increase its reserve for uncollectible receivables beyond its current level. If the business viability of certain of our customers deteriorates or our credit policies are ineffective in reducing our exposures to credit risk, additional increases in reserves for uncollectible accounts may be necessary, which could adversely affect our financial results.

We may be subject to potential tax liabilities in connection with our acquisition of medical centers from certain third-party individuals, which could have a material adverse effect on our financial condition and results of operations.

We acquired several medical centers from a few PRC individual shareholders in December 2007. Under the relevant PRC individual income tax laws and regulations, the individual sellers are liable to pay individual income tax at the rate of 20% of the capital gain recognized by these individual sellers from such transactions and we were obligated to withhold individual income tax for such individual sellers. We did not withhold individual income taxes for the individual sellers in the acquisition in 2007. The individual sellers are obligated to pay their respective income taxes under the acquisition agreements. We are not certain whether the individual sellers in such an acquisition have fulfilled their respective income tax obligations in connection with such a transaction. If they failed to meet their income tax obligations, the relevant PRC tax authorities may collect taxes from the sellers and may also impose penalties on us and require us to pay the taxes, penalties and interest. In seven other acquisitions we made from 2008 to 2015, we did not withhold individual income taxes for the individual sellers, but entered into agreements that required the individual sellers to pay their respective income taxes or indemnify us against all potential tax liabilities arising out of their violation of the relevant tax obligations. However, we cannot assure you that we will be able to recover all losses, or at all, from such individual sellers. The aggregate amount of income taxes that we would have been required to withhold for the individual sellers in the eight acquisitions from 2007 to 2015 was approximately US\$1.6 million. To the extent the tax authorities require us to pay a substantial amount of income taxes for the individual sellers and penalties arising from our failure to withhold such individual income tax and we are unable to recover all of the losses, our liquidity, financial condition and results of operations could be materially and adversely affected.

Our business is heavily regulated. Failure to comply with applicable regulations and any changes in government policies or regulations could result in penalties, loss of licenses, additional compliance costs or other adverse consequences.

Our business is subject to governmental supervision and regulations by PRC regulatory authorities including the National Health and Family Planning Commission, or NHFPC, the Ministry of Industry and Information Technology (formerly known as the Ministry of Information Industry), or the MIIT, and other government authorities. These government authorities promulgate and enforce laws and regulations that cover many aspects of our business. See Item 4.B. Business Overview Government Regulations for a discussion of the regulations applicable to us and our business. For example, each of our medical centers is required to obtain, among others, a business license, a medical institution establishment approval, a medical institution practicing license and a radiation-related diagnosis and treatment license. We are in the process of applying for the radiation-related diagnosis and treatment licenses for some of our medical centers, and are undergoing annual inspections by local counterpart of the NHFPC of medical institution practicing licenses and radiation-related diagnosis and treatment licenses for certain of our medical centers. We may not be able to obtain such licenses or pass such annual inspections in a timely manner or at all. In addition, each of our medical centers is required to include in the scope specified in their medical institution practicing licenses the medical examination and the specific medical services they are currently providing. If we fail to obtain or maintain effective such licenses for the forgoing medical centers or any competent PRC regulatory authorities determine that we are operating the relevant businesses in an illegal manner, we may be ordered to shut down the relevant medical centers or cease the relevant services or suffer fines or penalties. Our medical institution practicing licenses may be revoked in severe situations.

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We are also obligated under relevant PRC laws and regulations to verify that the suppliers of medical equipment, medicine, reagents and other medical consumables that we use in our operations possess the required licenses and qualifications at all times. We have established certain internal procedures to ensure our suppliers have obtained the relevant licenses and qualifications, but such procedures may not always be effective and sufficient. If PRC regulatory authorities determine that we have violated such requirements and obligations, we may be subject to legal sanctions including monetary fines, confiscation of illegal income and our medical institution practicing licenses may be revoked.

In addition, the PRC government may implement further healthcare and Internet-related legislative reforms. Depending on the priorities determined by the NHFPC, the MIIT and other governmental authorities, the continued development of the healthcare system, the development of the Internet and many other factors, future legislative and regulatory development and reforms may be highly diverse, including stringent infection control policies, introduction of health insurance policies, regulation of reimbursement rates for healthcare services, increased regulation of the distribution of pharmaceuticals, restrictions on online health information and the storage of personal medical information. Any policy changes that, for example, may cause our customers or third-party service providers, in particular those that are government-owned, to reconsider their relationships with us, may have an adverse effect on our business, financial condition, results of operations and prospects.

We have limited insurance coverage and thus any claims beyond our capability to pay in cash may result in our incurring substantial costs and a diversion of resources.

We did not maintain any medical malpractice insurance or business interruption insurance, and we maintained general liability insurance or public liability insurance and limited property insurance for fiscal 2017.

We are subject to potential professional liability risks in the ordinary course of business including arising from the actions of our employees and potentially the actions of third-party service providers to whom we refer our customers. Because the number and incidence of legal actions alleging malpractice or related legal theories against doctors, hospitals and other healthcare providers in China is significantly lower, and the amount of damages awarded by PRC judicial authorities is also lower, in both cases as compared to those in the United States, we do not maintain any medical malpractice insurance and general liability insurance. However, the threat of such claims is increasing as people become more accustomed to initiating lawsuits at courts in China to obtain redress for health-related grievances.

In addition, while business interruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to purchase such insurance.

In the event of (i) a lawsuit or regulatory action against us alleging business liability or malpractice or (ii) damage to or the loss of medical equipment, we may be responsible for any losses and the costs of claims. In the event of an interruption of our business, we would be fully responsible for any losses and the costs of claims. Paying for such losses or claims could result in substantial expenses and diversion of resources and could materially and adversely affect our business, financial condition and results of operations.

We rely on our major suppliers to provide materials and equipment for our preventive healthcare services.

We rely to a large degree on our major suppliers for materials and equipment for our preventive healthcare services. There can be no assurance that we will be able to maintain our relationships with our major suppliers. If the business relationship between our company and our major suppliers were to deteriorate or if any of those suppliers were to terminate its business relationship with our company, our business and results of operations may be adversely affected. In addition, under certain agreements we have entered into with some of our suppliers of reagent, in exchange for use of certain medical equipment for free or, in order to enjoy price discounts, we agreed to purchase exclusively from such suppliers and the purchase amount needs to reach a minimum level. Such arrangements may limit our ability to access more favorable terms offered by other suppliers.

Expansion of our healthcare services could be affected by the expansion of government-sponsored social medical insurance available to the Chinese population that is not available now.

Most government-sponsored social medical insurance in China does not cover medical examinations. In certain locations where government-sponsored social medical insurance covers medical examinations, we have become a qualified institution under such insurance coverage. Currently, most of our corporate customers pay for medical examinations for their employees, and individual customers pay directly for medical examinations. If government-sponsored social medical insurance is further expanded to cover medical examinations in more geographical locations, and we do not become a qualified institution for such coverage, certain of our corporate customers may discontinue or terminate their relationship with us, and certain individual customers may opt to use other medical institutions covered by such medical insurance rather than pay for our services. As a result, the expansion of government-sponsored social medical insurance could materially and adversely affect our business, financial condition and results of operations.

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Property leasing costs associated with our healthcare services are a significant part of our cost of revenues and any significant changes in property leasing market could have a material adverse impact on our business, financial condition and results of operations.

Our ability to achieve profitability is affected by various factors, some of which are beyond our control. We currently lease all of the facilities in which we operate our self-owned medical centers, and the leasing costs associated with our healthcare services have historically accounted for a significant portion of our cost of revenues. In fiscal 2015, 2016 and 2017, the leasing costs comprised 18.4%, 19.4% and 18.9% of our cost of revenues, respectively. We expect our leasing costs to increase in an absolute term as we expand the number of medical centers that we operate and as landlords increase rental rates.

As of March 31, 2018, the leases on our 110 self-owned medical centers have various expiration dates ranging from 2018 to 2035. As these leases approach expiration, we may not be able to renew them on terms favorable to us, or at all. Landlords may also terminate leases prior to the expiration date upon the payment of a penalty which, in our judgment, makes it unlikely for the landlords to terminate these leases early. If we cannot successfully offset our increased leasing cost with an increase in net revenues, our gross margin, financial condition and results of operations could be materially and adversely affected.

Compliance with environmental, health and safety laws and regulations in China can be expensive, and noncompliance with these regulations may result in significant monetary damages, fines and other penalties.

As the operations of our business generate waste water, hazardous substances and other industrial wastes, we must comply with all applicable national and local environmental laws and regulations in China. We are required to undertake environmental impact assessment and occupational diseases hazard assessment procedures and pass certain inspection and approval procedures before commencing our operations. We are also required to register with, or obtain approvals from, relevant environmental protection authorities for various environmental matters such as discharging waste generated by our operations. In addition, each of our medical centers is required to comply with the safety and health laws and regulations in China. For example, each of our medical centers must obtain a radiation safety permit from the relevant local counterpart of the Ministry of Ecology and Environmental in order to operate any medical equipment that contains radioactive materials or emits radiation. We have not completed certain environmental and occupational disease related assessment or approval procedures for some of our facilities, and some of our facilities have not obtained or timely updated the required waste discharge permits and radiation safety permits. We are taking remedial measures necessary to obtain the requisite approvals and permits and follow the requisite requirements. However, we may not be able to obtain such approvals and permits or follow the requisite requirements in a timely manner or at all. If for any reason the relevant government authorities in China determine that we are not in compliance with environmental, health and safety laws and regulations, we may be required to pay fines or damages to third parties or we may be ordered to suspend or cease our operations in the relevant premises. In addition, because the requirements imposed by environmental, health and safety laws and regulations may change and more stringent regulations may be adopted, we may be unable to accurately predict the cost of complying with these laws and regulations, which could be substantial.

Our business exposes us to liability risks that are inherent in the operation of complex medical equipment, which may experience failures or cause injury either because of defects, faulty maintenance or repair, or improper use.

Our business exposes us to liability risks that are inherent in the operation of complex medical equipment, which may experience failures or cause injury either because of defects, faulty maintenance or repair, or improper use. Extended downtime of our medical equipment could result in decreased revenues, dissatisfaction on the part of customers and damage to our reputation. Any injury caused by our medical equipment in our medical centers due to equipment defects, improper maintenance or improper operation could subject us to liability claims. Regardless of their merit or eventual outcome, such liability claims could result in significant legal defense costs for us, harm our reputation, and otherwise have a

material adverse effect on our business, financial condition and results of operations.

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We primarily rely on equipment manufacturers or third-party service providers to maintain and repair the complex medical equipment used in our medical centers. If any of these manufacturers or third-party service providers fails to perform its contractual obligations to provide such services, or refuses to renew these service agreements on terms acceptable to us, or at all, we may not be able to find a suitable alternative service provider or establish our own maintenance and repair team in a timely manner. Similarly, any failure of or significant quality deterioration in such service providers' services could materially and adversely affect customer experience. We also rely on both equipment manufacturers and our own internal experts to provide technical training to our staff on the proper operation of such equipment. If such medical technicians are not properly and adequately trained, or if they make errors in the operation of the complex medical equipment even if they are properly trained, they may misuse or ineffectively use the complex medical equipment in our medical centers. Such failure could result in unsatisfactory medical examination results, diagnosis, treatment outcomes, patient injury or possibly death, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

We may be involved in legal and other disputes from time to time arising out of false positive or false negative checkup results or misdiagnosis and our reputation and results of operations may be harmed.

We may from time to time receive complaints from or be involved in disputes with our customers with regard to false positive or false negative checkup results or misdiagnosis. The occurrence of false positive or false negative checkup results or misdiagnosis is a unique risk of medical examination service industry caused by the uncertainty during the medical examination service process. In addition, with the rapid growth we have experienced in recent years, our operations are under pressure and the checkup result reports provided to our customers may not completely reflect the health condition of our customers which could be caused by various factors such as negligence of the medical personnel, failure of medical equipment, inaccurate results of medical tests conducted by outsourced laboratories, individual customer difference and disease complication. These complaint and disputes may lead to legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities.

We depend on information technology systems to operate and manage our business. If our information technology systems fail to adequately perform these functions, or if we experience an interruption in their operation, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to, among other things, schedule and manage the provision of services to our customers, effectively manage accounting and financial functions and monitor our internal cost factors. If we experience a reduction in the performance, reliability or availability of our information systems, our operations and ability to produce timely and accurate reports could be adversely impacted. Our information systems and applications require continuous maintenance, upgrading and enhancement to meet operational needs. Moreover, the proposed expansion of facilities and acquisition of new centers requires transitions to or from, and the integration of, various information systems. Upgrades, expansions of capabilities, and other potential system-wide improvements in information systems may require large capital expenditures. If we experience difficulties with the transition to or from information systems or are unable to properly implement, finance, maintain or expand our systems, we could suffer, among other things, from operational disruptions and a reduction in customer satisfaction, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The proper functioning of our website, mobile Apps and network infrastructure is essential to our business and any failure to maintain the satisfactory performance, security and integrity of our website and network infrastructure will materially and adversely affect our business, reputation, financial condition and results of operations.

The satisfactory performance, reliability and availability of our website, mobile Apps and our network infrastructure are critical to our success as well as our ability to attract and retain customers and maintain adequate customer service levels. Any system interruptions caused by our servers, telecommunications failures, computer viruses, hacking or other attempts to harm our systems may result in the unavailability or slowdown of our website, or the information systems of one of our third-party service providers, and may reduce our ability to schedule appointments and result in customers being unable to access their health records. Furthermore, users of our website and mobile Apps may experience bandwidth-related slowdowns for various reasons beyond our control. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins, or other potential disruptions, which could lead to interruptions, delays, loss of data or the inability to accept and fulfill customer orders. We may also experience interruptions caused by reasons beyond our control such as power outages, or efforts to gain unauthorized access to our systems causing loss or corruption of data or malfunctions of software or hardware.

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We rely on the Internet infrastructure and fixed line and mobile telecommunication networks in China to provide the data communication capacity necessary for our business. Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. In the event of any infrastructure disruption or failure or other problems with the Internet infrastructure or the telecommunication networks in China, the quality and stability of our websites and our platform may be affected, which could damage our reputation, diminish the attractiveness of our services and have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to protect confidential information of our customers and their employees or clients and our online system against security breaches could damage our reputation and brand and substantially harm our business, financial condition and results of operations.

A significant challenge to our online and telephonic health management system is the secure transmission of confidential information over public Internet and telecommunication networks. Currently, we rely on third-party service providers to provide the bandwidth for our online and telephonic health management consulting system and to provide online payment services. Through our online and telephonic system, our customers can schedule and purchase healthcare-related services offered by our own medical facilities and third-party hospitals, and they can view their medical reports online. We hold certain private information about our customers, such as their medical examination and disease screening test results, names, addresses, gender, phone numbers and purchasing records. Customer information is stored on servers owned and maintained by us but located in a third-party Internet data center. Payments for our online sales are made through our own websites and third-party online payment services. Maintaining complete security for the transmission of confidential information when a customer views personal medical information online or buys a prepaid service card from us is essential to maintaining user confidence. We have limited influence over the security measures of the third party service providers that we use and the security of the Internet in general. We may not be able to prevent third parties, such as hackers or criminal organizations, from stealing information provided by our customers to us. Significant capital and other resources may be required to protect against security breaches or to alleviate problems caused by such breaches. Any compromise of our security or third-party service providers' security could have a material adverse effect on our reputation, business, prospects, financial condition and results of operations. In addition, the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving.

Even if we are successful in adapting to and preventing new security breaches, any perception by the public that online transactions, or the privacy of user information, are becoming increasingly unsafe or vulnerable to attack could inhibit the growth of online businesses generally, which in turn may reduce our customers' confidence and materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

We could be exposed to risk for our dealing with medical data.

Our self-owned medical centers collect and maintain medical data from medical examination and disease screening test results in order to make such data available to the respective individuals who take such examinations or tests at our medical centers. PRC laws and regulations generally require medical institutions to protect the privacy of their patients or customers and prohibit unauthorized disclosure of personal information. We have taken measures to maintain the confidentiality of our customers' medical information, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of our customers' medical information. However, these measures may not be always effective in protecting our customers' medical information. In addition, although we do not make the customers' medical information available to the public, we use such data on an aggregating basis after redacting personal identity for marketing purpose and to provide to our corporate customers to monitor the collective health conditions of their employees. Although we believe our current usage of customers' medical information is in compliance with applicable laws and regulations governing the use of such information, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data. Failure to protect customers' medical information, or any restriction on or liability

as a result of, our use of medical data, could have a material adverse effect on our business.

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The failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition, results of operations and prospects.

We lease premises in various cities as our offices and venues to carry out medical examination, disease screening, outpatient services and other health management businesses. These leases may not meet certain land and property-related legal requirements under PRC laws and regulations. For example, certain lessors have not been able to provide us with relevant building ownership certificates or other documents that evidence their legal right to lease our leased properties or fire protection approvals regarding certain of our leased properties. Some leased properties are used by us as offices or medical examination centers while they are under zoning restrictions to be used for educational purposes. In addition, we have not completed the lease registration for some of our premises as required by PRC housing administration authorities. We have not received any notification from PRC government authorities regarding our noncompliance with applicable land and property-related requirements. Except for Shanghai Wenzhong Clinic Co., Ltd., or Shanghai Wenzhong, which was unable to commence its operations as a result of residents' objection to the use of the location it occupied and entered liquidation proceedings on October 22, 2013, we are not aware of any third parties that have attempted to interfere with our rights to use our leased premises arising from our non-compliance with such requirements. If any challenge from government authorities or third parties arises, we may be subject to fines, our leases may be invalidated and our rights under these leases may be materially and adversely affected. In addition, we may be forced to relocate any affected premises. All of these consequences could materially and adversely affect our business, financial condition, results of operations and prospects.

Our failure to comply with the U.S. Foreign Corrupt Practices Act, or the FCPA, and other anticorruption laws could result in penalties which could harm our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Upon the completion of our initial public offering, we are subject to the FCPA which prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits, along with various other anticorruption laws. We have implemented policies and procedures designed to ensure that we, our employees and other intermediaries comply with the FCPA and other anti-corruption laws to which we are subject. Such policies or procedures may not work effectively or protect us against liability under the FCPA or other laws for actions taken by our employees and other intermediaries with respect to our business or any businesses that we may acquire. As we market and offer our services to state-owned enterprises and governmental agencies in China, we will have frequent contact with persons who may be considered foreign officials under the FCPA, resulting in an elevated risk of potential FCPA violations. Any investigation of a potential violation of the FCPA or other anticorruption laws by the United States or foreign authorities could have an adverse impact on our reputation, and if we are not in compliance with the FCPA and other laws governing the conduct of business with government entities we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse impact on our reputation, business, financial condition, results of operations and prospects.

Our extensive and increasing operations in the PRC may give rise to elevated compliance risks on anti-bribery. Although we have established an internal control system to ensure the compliance of our business operation with PRC anti-bribery laws, and we have requested our employees, agents and third party business partners to comply with applicable anti-bribery laws, these measures may not be always effective, or at all, to prevent the breach of anti-bribery laws. In recent years, commercial bribery has increasingly been identified as a key risk in doing business in the PRC, especially in the pharmaceutical and healthcare sector. If PRC regulatory authorities determine that our marketing or other activity violates the anti-bribery or anti-corruption laws, we may be penalized or ordered to cease such activity, which could have an adverse impact on our business.

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We may not be able to develop and successfully market new services, which would materially and adversely affect our business, financial condition, results of operations and prospects.

Our success depends on our ability to anticipate industry trends and identify, develop and market in a timely and cost-effective manner new value-added services that meet customer demand. Examples include additional disease screening offerings and advanced health management services to enable both executives and increasingly health-conscious individuals to manage all aspects of their health. Developing new services in a timely and cost-effective manner can be difficult, particularly because services can change with market preferences. Our understanding of the market and evolving customer preferences may not lead to new services that are commercially successful. We may also experience delays or be unsuccessful in any stage of service development, introduction or implementation. We may not be able to successfully market our new services or our end customers may not be receptive to our new services. Our competitors' service development capabilities may be more effective than ours, and their new services may reach the market before ours. Our competitors may also be more effective or less expensive than us. The introduction of new or similar services by our competitors may result in price reductions on our services or reduced margins or loss of market share. Our new services may impact our gross margins depending on the level of market acceptance and pricing environment for each service. The success of any of our new services also depends on several other factors, including our ability to:

- optimize our staffing and procurement processes to predict and control costs;
- integrate new service offerings into our medical centers and referral services in a timely manner;
- minimize the time and costs required to obtain required regulatory clearances or approvals;
- anticipate and compete effectively with competitors, including pricing our services competitively; and
- increase end customer awareness and acceptance of our services.

If we are unable to develop new services in a timely manner to meet market demand, or if there is insufficient demand for our new services, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Unauthorized use of our intellectual property or other proprietary information by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and competitive position.

We regard our trademarks, service marks, domain names, software copyrights, trade secrets and similar intellectual property and proprietary information as critical to our competitiveness and success. We rely on the trademark, copyright and other intellectual property laws and

confidentiality agreements with our employees, customers, third-party service providers and others to protect our proprietary rights. As of March 31, 2018, we had 245 registered trademarks. We own or possess the rights to 192 domain names that we use in connection with the operation of our business, and have copyrighted 18 software programs that we developed ourselves for managing our operations. Nevertheless, these afford only limited protection and it can be difficult and expensive to police unauthorized use of intellectual property that we own or license. In 2017, iKang Healthcare Technology Group Co., Ltd. authorized and licensed the use of our intellectual property, corporate names, trademarks, copyright, patent right, and know-how to two medical centers it co-invested with various parties, which exposed us to further risks. We have taken, and will continue to take, a variety of actions to combat infringement of our intellectual property and other proprietary information. However, our legal actions may not always be successful. In 2012, we filed an arbitration proceeding against a third party company who operates a website under the domain name of www.aikang.com and use as trade name with the same Chinese characters as one of our PRC subsidiaries to provide medical knowledge, introduction of medical institutions and links to websites of medical examination centers. But our claim was dismissed by the arbitral tribunal, and the website www.aikang.com is still operated by such third-party company as of the date of this annual report. In January 2016, we filed a complaint with the People's Court of Chaoyang District of Beijing against a PRC company, a former employee of such company and certain other defendants with respect to the defendants' joint infringement of our trade secrets including customer information, prices, marketing strategies and other internal business information. We withdrew the complaint in December 2017 and refiled it with the People's Court of Pudong District of Shanghai in January 2018 due to changes in the defendants' jurisdiction. The People's Court of Pudong District of Shanghai is currently in the process of reviewing our claims and relevant evidence. In addition, in April 2016, we filed another complaint with the Shanghai Intellectual Property Court against that PRC company and certain other defendants with respect to the defendants' joint infringement of our copyright of medical examination software systems. The Shanghai Intellectual Property Court is currently in the process of reviewing our claims and relevant evidence. Infringement of our intellectual property or other proprietary information by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business.

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Intellectual property rights historically have not been enforced in China as vigorously as in the United States, and intellectual property infringement is a serious risk for companies operating in China. Moreover, we have in the past, and may in the future, enforce our intellectual property and other proprietary information rights through litigation, which could result in substantial costs, divert the efforts and resources of our management personnel and disrupt our business. The validity and scope of any claims relating to our intellectual property or other proprietary information may involve complex legal and factual questions and analyses and, as a result, the outcome may be highly uncertain. In addition, there is no guarantee that we will be able to detect unauthorized use of our intellectual property or other proprietary information and stop such use through litigation. Failure to protect our intellectual property or other proprietary information rights could have a material adverse effect on our business, financial condition and results of operations as well as severely harm our competitive position.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us or our authors, may materially disrupt our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties when we develop and use our own technology, know-how and brand. We may also be subject to litigation involving claims of trademark infringement or violation of other intellectual property rights of third parties. Defense against any of these or other claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of the relevant brand or services. To the extent that licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies, if any, or we may be forced to delay or suspend the sale of the relevant services or the promotion of the relevant brand. We may incur substantial expenses and require significant attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in our customers or potential customers deferring, reducing or canceling their purchase of our services. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our quarterly revenues and operating results are difficult to predict and could fall below investor expectations, which could cause the trading price of the ADSs to decline.

Our quarterly revenues and operating results have fluctuated in the past and may continue to fluctuate significantly depending upon numerous factors. In particular, we typically have lower revenues and may incur a net loss during the fourth quarter of a fiscal year primarily because our self-owned medical centers generally have lower numbers of customer visits and perform fewer medical examinations around the New Year and Chinese Lunar New Year holidays, which are typically in January or February of each year. Our relatively stronger performance in the third fiscal quarter has been largely due to the fact that many of our corporate customers arrange for their employees to conduct medical examinations in the third quarter of our fiscal year. On the other hand, certain types of our costs and expenses, including rental expenses, salaries and benefits for doctors and nurses and depreciation and amortization expenses, for each self-owned medical center are not significantly affected by seasonal factors as such costs and expenses are fixed. As a result, our profitability in the fourth quarter of a fiscal year is typically affected the most by a combination of the lowest number of customer visits and the increase in the fixed costs and expenses associated with opening new medical centers as we expand our network. In addition, our new medical centers developed through construction or acquisition generally involve a ramp-up period before they are able to reach expected sales and profit levels, thereby also affecting our overall profitability in the fourth quarter of a fiscal year. We expect such seasonal pattern of our results of operations to continue in the foreseeable future.

Other factors that may affect our financial results include, among others:

- our ability to attract and retain our corporate clients and to expand into and further penetrate new markets;
- changes in pricing policies by us or our competitors;

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- the amount of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure;
- the timing and market acceptance of new services introductions by us or our competitors; and
- changes in government policies or regulations, or their enforcement.

As a result, you should not rely on quarter-to-quarter or semi-annual-to-semi-annual comparisons of our results of operations as indicators of our likely future performance. Our operating results may be below our expectations or the expectations of public market analysts and investors in one or more future quarters. If that occurs, the price of the ADSs could decline and you could lose part or all of your investment.

If we grant employees share options, restricted shares or other equity incentives in the future, our net income could be adversely affected.

We granted share options and warrants to our employees and advisors. We are required to account for share based compensation expenses in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718, Compensation Stock Compensation, which generally requires a company to recognize, as an expense, the fair value of share options and other equity incentives to employees based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. As of March 31, 2018, there were 2,018,725 options and warrants outstanding which entitle their holders to purchase a total of 2,018,725 Class A common shares. As a result, we incurred share-based compensation expense of US\$1.9 million, US\$1.9 million and US\$34.8 million in fiscal 2015, 2016 and 2017, respectively. If we grant more options, restricted shares or other equity incentives, we could incur significant compensation charges and our results of operations could be adversely affected. See Item 5.A. Operating Results Critical Accounting Policies and Estimates and Note 2 to our consolidated financial statements for the years ended March 31, 2017 and 2018 included in this annual report for a more detailed presentation of accounting for our share-based compensation plans, respectively.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence in our company and the market price of our ADSs may be adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include in its annual report a management report on such company's internal control over financial reporting containing management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of such company's internal control over financial reporting except where the company is a non-accelerated filer. We currently are a large accelerated filer.

Our management has concluded that our internal control over financial reporting was effective as of March 31, 2018. See Item 15. Controls and Procedures. Our independent registered public accounting firm has issued an attestation report as of March 31, 2018. See Item 15. Controls and Procedures Report of Independent Registered Public Accounting Firm. However, if we fail to maintain the effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to continue to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

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We incur increased costs as a result of being a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the NASDAQ, imposes various requirements on the corporate governance practices of public companies. For example, as a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company makes it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we also incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In addition, we have ceased to be an emerging growth company and therefore are no longer able to take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. We have incurred significant expenses and devoted substantial management effort, and expect to continue to do so to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We depend on the continued service of our management team and other key employees, and our business, financial condition and results of operations will suffer greatly if we lose their services.

Our future success depends on the continued service of our key executive officers and other key employees. In particular, we rely on the expertise, experience and leadership ability of Mr. Lee Ligang Zhang, our founder, chairman and chief executive officer. We also rely on a number of key technology officers and staff for the development and operation of our business. In addition, as we expect to focus increasingly on the development of our business, we will need to continue attracting and retaining skilled and experienced medical personnel and sales and marketing staff for our business to maintain our competitiveness.

If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, and our business, financial condition and results of operations could be materially and adversely affected. We do not maintain key-man life insurance for any of our key personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, customers and key professionals and staff. Each of our employees who have access to sensitive and

confidential information has also entered into a non-disclosure and confidentiality agreement with us. Although non-compete provisions are generally enforceable under PRC laws, PRC legal practice regarding the enforceability of such provisions is not as well-developed as in countries such as the United States. Thus, if we need to enforce our rights under the non-compete provisions, we cannot assure you that a PRC court would enforce such provisions.

Furthermore, since the demand and competition for talent is intense in our industry, particularly for qualified doctors and medical staff, and the availability of suitable and qualified candidates is limited, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses. We previously awarded to certain of our employees stock options, some of which have not yet vested. Such retention awards may cease to be effective to retain our current employees once the options vest. We may need to increase our total compensation costs to attract and retain experienced personnel required to achieve our business objectives and failure to do so could severely disrupt our business and growth. We cannot assure you that we will be able to attract or retain the key personnel that we will need to implement our strategies and achieve our business objectives.

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If additional remedial measures are imposed on the PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by Securities and Exchange Commission, or the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Starting in 2011 the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and PRC law. Specifically, for certain U.S.-listed companies operating and being audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese accounting firms access to their audit work papers and related documents. The accounting firms were, however, advised and directed that under PRC law they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the China Securities Regulatory Commission, or the CSRC.

In late 2012 this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the accounting firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the commissioners of the SEC. On February 6, 2015, before a review by the commissioners had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC has the authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these accounting firms may cause investors' concern regarding China-based companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ADSs from the NASDAQ Global Select Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with its restrictions on foreign investment in healthcare and Internet-related businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our economic benefits in the assets and

operations of our affiliated PRC entities.

We are a Cayman Islands company and as such we are classified as a foreign enterprise under PRC laws. Our PRC subsidiaries, ShanghaiMed iKang, Inc., or Beijing iKang, iKang Health Management (Zhejiang) Co., Ltd., or Zhejiang iKang, and Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., or Yuanhua WFOE, are foreign invested enterprises. Various laws, regulations and rules in China restrict foreign ownership in, and restrict foreign invested enterprises from holding certain licenses required to operate healthcare and Internet-related businesses. Although some of the restrictions on foreign investment in healthcare businesses were lifted in December 2011, restrictions still exist in practice.

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See Item 4.C. Organizational Structure and Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Investment in Our Industry. In light of these restrictions, we conduct our operations in China mainly through a series of contractual arrangements entered into (1) among Beijing iKang, our affiliated PRC entity, iKang Healthcare Technology Group Co., Ltd. (formerly known as Shanghai iKang Guobin Holding Co., Ltd., or iKang Holding), and iKang Holding's shareholders, (2) among Zhejiang iKang, our affiliated PRC entity, Hangzhou iKang Guobin Clinic Co., Ltd., or iKang Hangzhou Xixi, and iKang Hangzhou Xixi's shareholders, (3) among Yuanhua WFOE, our affiliated PRC entity, Shanghai Yuanhua Information Technology Co., Ltd., or Yuanhua Information, and Yuanhua Information's shareholders and (4) among Beijing iKang, Jiandatong Health Technology (Beijing) Co., Ltd., or Beijing Jiandatong, and Mr. Haiqing Hu, one of Beijing Jiandatong's shareholders who holds a 80% equity interest in Beijing Jiandatong. iKang Holding, iKang Holding's subsidiaries, iKang Hangzhou Xixi, Shanghai Yuanhua Clinic Co., Ltd., and Beijing Jiandatong hold the licenses that are essential to the operation of our business.

We do not have any equity interest in our affiliated PRC entities but through such contractual arrangements we exercise effective control over our affiliated PRC entities. For a description of such contractual arrangements, see Item 4.C. Organizational Structure. As a result, we are considered the primary beneficiary of our affiliated PRC entities and consolidate the results of operations of our affiliated PRC entities and their subsidiaries in our financial statements.

In January 2015, MOFCOM published a draft bill of the Foreign Investment Law, or the Draft FIL, for public comment, suggesting a possible overhaul of the existing foreign investment laws in China. Among other proposed changes, the Draft FIL seeks to introduce new measures to regulate contractual arrangements. It is not clear, however, when the Draft FIL will become effective, what approach it will adopt and how it will impact the contractual arrangements through which we hold the licenses and conduct our operations in China.

In the opinion of King & Wood Mallesons Lawyers, our PRC legal counsel, our current ownership structure, the ownership structure of our PRC subsidiaries and affiliated PRC entities and the contractual arrangements among our PRC subsidiaries, our affiliated PRC entities and their respective shareholders are not in violation of existing PRC laws, rules and regulations and each contract under the contractual arrangements is valid, binding and enforceable under current PRC laws. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations; accordingly, PRC regulatory authorities may ultimately take a view that is contrary to the opinion of King & Wood Mallesons Lawyers.

In addition, PRC regulatory authorities may change their policies to further restrict foreign participation in healthcare and Internet-related businesses. Accordingly, we cannot assure you that the PRC regulatory authorities will not ultimately take a view contrary to that of our PRC legal counsel. If we, our PRC subsidiaries, our affiliated PRC entities or their respective subsidiaries are found to be in violation of any existing or future PRC laws, rules or regulations, we may not be able to consolidate the results of operations of our affiliated PRC entities and their subsidiaries. In addition, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business licenses or operating licenses of our PRC subsidiaries or affiliated PRC entities and their respective subsidiaries;
- discontinuing or restricting our operations in China, including shutting down our servers or blocking our websites or discontinuing or placing restrictions or onerous conditions on our operations;

- restricting our ability to collect revenues or confiscating our income or the income of our PRC subsidiaries or affiliated PRC entities;

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- requiring us to undergo a costly and disruptive restructuring such as forcing us to transfer our equity interests in our PRC subsidiaries to a domestic entity or invalidating the agreements that our PRC subsidiaries have entered into with our affiliated PRC entities and their respective shareholders;
- requiring us to establish a new enterprise, re-applying for required licenses or relocating our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply;
- restricting or prohibiting our use of proceeds from our securities offering to finance our business and operations in China; and
- taking other regulatory or enforcement actions, including levying fines, that could be harmful to our business.

The imposition of any of these penalties may result in a material adverse effect on our ability to conduct our business and a loss of our economic benefits in the assets and operations of our affiliated PRC entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate these entities. These entities contribute substantially all of our consolidated net revenues.

Substantial uncertainties exist with respect to the adoption of new or revised of PRC laws relating to our corporate structure, corporate governance and business operations.

In January 2015, MOFCOM published the Draft FIL, together with an accompanying explanatory note, for public comments until February 17, 2015, suggesting a possible overhaul of the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Draft FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. As of the date of this annual report, MOFCOM had completed solicitation of comments from the public on the Draft FIL, but substantial uncertainties still exist with respect to its enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other changes, the Draft FIL expands the definition of foreign investment and introduces the principle of actual control in determining whether an investment is considered a foreign investment or domestic investment. The Draft FIL specifically provides that an entity established

in China but controlled by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction but controlled by PRC entities and/or citizens would nonetheless be treated as PRC investors, provided that the entity should obtain such determination upon market entry clearance by the competent foreign investment authority. Our controlling shareholder, Time Intelligent Finance Limited, is beneficially owned by a family trust established by Mr. Lee Ligang Zhang, a PRC citizen; however, until the new PRC laws are finalized, we do not know if our company would be considered as ultimately controlled by PRC investor(s) or if the provisions for control by PRC investors will be adopted. The Draft FIL has not taken a position on what actions will be taken with respect to the existing companies with contractual arrangements, whether or not these companies are controlled by PRC investors. If the enacted version of the Foreign Investment Law mandates further actions, such as the MOFCOM market entry clearance or certain restructuring of corporate structure and operations, to be completed by companies with existing contractual arrangements like us, we may face substantial uncertainties as to whether these actions can be timely completed, or at all, and our business and financial condition may be materially and adversely affected.

The Draft FIL has no legal effect, and it is unclear whether and how the legislative progress will proceed. However, if enacted as proposed, it may materially impact our corporate governance practice and increase our compliance costs. For instance, the Draft FIL includes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign-invested enterprises. Aside from investment implementation reports and investment amendment reports that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with such information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

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We rely on contractual arrangements with our affiliated PRC entities and their respective shareholders for the operation of our business, which may not be as effective as direct ownership. If our affiliated PRC entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

We conduct our business in China mainly through our affiliated PRC entities and their respective subsidiaries. The contractual arrangements with our affiliated PRC entities and their respective shareholders provide us with effective control over our affiliated PRC entities and their subsidiaries. Although we have been advised by our PRC legal counsel, King & Wood Mallesons Lawyers, that each contract under these contractual arrangements is valid, binding and enforceable under current PRC laws, these contractual arrangements may not be as effective as direct ownership in providing us with control over our affiliated PRC entities and their subsidiaries. For example, our affiliated PRC entities and their shareholders may breach their contractual arrangements with us by, among other things, failing to operate our healthcare businesses in an acceptable manner, by refusing to renew these contracts when their initial term expires, or by taking other actions that are detrimental to our interests. If we were the controlling shareholder of our affiliated PRC entities with direct ownership, we would be able to exercise our rights as shareholders, rather than our rights under the powers-of-attorney, to effect changes to its board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if any of our affiliated PRC entities or its shareholders fails to perform their obligations under these contractual arrangements, we may incur substantial costs to enforce such arrangements and rely on legal remedies under PRC laws, which may not be sufficient or effective. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be sufficient or effective. In addition, our contractual arrangements have different expiration dates based on their respective nature. See Item 4.C. Organizational Structure.

These contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures, which could be adjudicated as invalid by arbitral tribunals. The PRC regulatory environment presents inherent uncertainties. See Risks Related to Doing Business in China Uncertainties presented by the PRC legal system could limit the legal protections available to us and subject us to legal risks, which could have a material adverse effect on our business, financial condition and results of operations. As a result, our rights under the contractual arrangements could not be honored and our ability to enforce these contracts under the contractual arrangements could be limited. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our affiliated PRC entities and their shareholders. As a result, our business and operations could be severely disrupted, which could damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

Shareholders of iKang Holding, Yuanhua Information or Beijing Jiandatong, our affiliated PRC entities, may have a potential conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to the interest of our company.

One of our affiliated PRC entities, iKang Holding, is jointly held by Mr. Lee Ligang Zhang, chairman and chief executive officer of our company, and Mr. Boquan He, a director of our company. One of our affiliated PRC entities, Yuanhua Information, is jointly held by Mr. Haiqing Hu and Ms. Juan Tan, persons designated by us. One of our affiliated PRC entities, Beijing Jiandatong, is jointly held by Mr. Haiqing Hu and Mr. Rui Ma, and Mr. Haiqing Hu is a person designated by us. Conflicts of interest between these individuals' role as shareholders of our affiliated PRC entities and their fiduciary duties to our company or their personal interest may arise. In addition, Mr. Lee Ligang Zhang is also a director and/or executive officer of certain subsidiaries of iKang Holding. The laws of China provide that a director or member of management owes a fiduciary duty to the company he serves. Mr. Lee Ligang Zhang must therefore act in good faith and in the best interests of iKang Holding and its subsidiaries and must not use his respective positions for

personal gain. These laws do not require him to consider our best interests when making decisions as a director or member of management of our affiliated PRC entities or their subsidiaries. In addition, the personal interest of the nominee shareholders of Yuanhua Information and Beijing Jiandatong is not necessarily aligned with us. Accordingly, conflict may arise between these individuals' fiduciary duties as directors or officers of our affiliated entities and us.

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When conflicts of interest arise, these individuals may not act in the best interests of our company and conflicts of interest may not be resolved in our favor. In addition, these individuals may breach or cause iKang Holding, Yuanhua Information or Beijing Jiandatong to breach or refuse to renew the existing contracts under the contractual arrangements that allow us to effectively control iKang Holding, Yuanhua Information or Beijing Jiandatong and their respective subsidiaries and receive economic benefits from them. Currently, we do not have arrangements to address potential conflicts of interest between these individuals and us. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of iKang Holding, Yuanhua Information or Beijing Jiandatong, we would have to rely on legal proceedings, which could result in disruption of our business, and there would be substantial uncertainty as to the outcome of any such legal proceedings.

The contractual arrangements with our affiliated PRC entities may be reviewed by the PRC tax authorities for transfer pricing adjustments, which could increase our overall tax liability.

The PRC Enterprise Income Tax Law, effective on January 1, 2008 and amended on December 24, 2017, or the EIT Law, requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The PRC tax authorities may impose reasonable adjustments on taxation if they have identified any related-party transactions that are inconsistent with arm's-length principles. Beijing iKang, Zhejiang iKang and Yuanhua WFOE could face material adverse tax consequences if the PRC tax authorities determined that the contractual arrangements between them and our affiliated PRC entities were not entered into based on arm's-length negotiations and therefore constitute a favorable transfer pricing arrangement. Although we based our contractual arrangements on those of similar businesses, if the PRC tax authorities determined that these contracts were not entered into on an arm's-length basis, they could request that our affiliated PRC entities adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by increasing our affiliated PRC entities tax expenses without reducing Beijing iKang, Zhejiang iKang or Yuanhua WFOE's tax expenses, and could subject our affiliated PRC entities to late payment fees and other penalties for underpayment of taxes. As a result, our consolidated net income may be adversely affected.

We may lose the ability to use and enjoy assets held by our PRC variable interest entities that are important to the operation of our business if such entities go bankrupt or become subject to a dissolution or liquidation proceeding.

Some of our PRC variable interest entities hold assets, such as medical equipment that is essential to the operation of our business. If any of these PRC variable interest entities goes bankrupt and all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of such PRC variable interest entities undergoes a voluntary or involuntary liquidation proceeding, the unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Doing Business in China

Changes in China's economic, political and social conditions could have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct substantially all our business operations in China. Accordingly, our business, financial condition, results of operations and prospects are significantly dependent on the economic, political and social conditions in China. The PRC economy differs from the economies of developed countries in many aspects, including the degree of government involvement, level of development, growth rate, control over foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 30 years, the growth has been uneven across different regions and periods and among various economic sectors in China. Moreover, the continued economic growth in China over the past few years has resulted in a general increase in labor costs, and the inflationary environment that has persisted in recent periods has led to labor strikes and employee discontent, which could result in materially higher compensation costs being paid to employees. We cannot assure you that the ongoing evolution of economic, political and social conditions in China would not materially reduce our revenues and profitability.

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The PRC government exercises significant control over China's economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, implementation of monetary policy and offer of preferential treatment to particular industries or companies. In particular, certain measures adopted by the PRC government, such as changes in statutory deposit reserve ratio and lending guidelines for commercial banks promulgated by the People's Bank of China, or the PBOC, may restrict loans to certain industries. These current and future government actions could materially affect our liquidity as well as restrict our access to capital and ability to operate our business.

Although the Chinese economy has grown significantly in the past decade, that growth may not continue and any slow-down may have a negative effect on our business. Since 2012, the growth of the Chinese economy has slowed. The overall Chinese economy affects our profitability and any slowdown in the economic growth of China could lead to reduced consumable income of our customers and reduced demand for our services, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Uncertainties presented by the PRC legal system could limit the legal protections available to us and subject us to legal risks, which could have a material adverse effect on our business, financial condition and results of operations.

Our operations in China are subject to applicable PRC laws, rules and regulations. The PRC legal system is largely a civil law legal system based on written statutes. Unlike the common law system, court decisions in China may be cited for reference but have limited precedential value. Although the overall effect of legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China, the PRC has not developed a fully integrated legal system and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities. In particular, because these laws, rules and regulations are relatively new, and because of the limited volume of published judicial decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve substantial uncertainties. Such uncertainties may limit the legal protections available to us.

In addition, the PRC legal system is based in part on government policies and certain internal rules, some of which are not published on a timely basis or at all and which may have a retroactive effect. As a result, we may not be aware of a violation of these policies and internal rules until sometime after the violation. Also, any administrative or court proceedings may be protracted, resulting in substantial costs and diversion of resources and management attention if we seek to enforce our legal rights through administrative or judicial proceedings. Moreover, compared to more developed legal systems, the PRC administrative and judicial authorities have significantly wider discretion in interpreting and implementing statutory and contractual provisions. As a result, it may be more difficult to evaluate the outcomes of the administrative and judicial proceedings as well as the level of available legal protection we are entitled to. These uncertainties may impede our ability to enforce our contracts, which could in turn materially and adversely affect our business and operations.

Our business may be adversely affected by regulations and censorship of content distributed over the Internet in China.

China has enacted laws and regulations governing Internet access and the distribution of information through the Internet. The PRC government from time to time bans the distribution of content and information through the Internet that it believes to be in violation of PRC laws or regulations. The MIIT and other relevant PRC authorities have promulgated regulations that prohibit content or information from being distributed or published if such content or information is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of China, or compromise state security or secrets. Failure to comply with these requirements may result in the revocation of licenses to provide Internet content or other operations licenses or permits, the closure of the concerned websites and reputational harm. Website operators may also be held liable for such censored information displayed on or linked to their websites. To the extent that PRC regulatory authorities find any content displayed on our websites objectionable, they may require us to limit or eliminate the dissemination of such content. In addition, regulatory authorities may impose penalties on us based on content displayed

on or linked to our websites in cases of material violations, including a revocation of our operating licenses or a suspension or shutdown of our online operations.

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Governmental control of currency conversion may limit our ability to utilize our revenues and financing proceeds effectively.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Substantially all of our revenues and operating expenses are denominated in Renminbi. The Renminbi is currently convertible under current account transactions, which include dividend payment, trade and service-related foreign exchange transactions, but not under capital account transactions, which includes capital injection and loans. Our PRC subsidiaries may also retain foreign exchange in its current accounts, subject to a ceiling approved by the State Administration of Foreign Exchange, or SAFE, to satisfy foreign exchange liabilities or to pay dividends. See Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Currency Exchange. However, the relevant PRC regulatory authorities may limit or eliminate our ability to purchase and retain foreign currencies for current account transactions in the future. Since a significant amount of our future revenues will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund our business activities outside of the PRC that are denominated in foreign currencies.

Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE or its local branches and other relevant PRC regulatory authorities. In particular, if we finance our PRC subsidiaries by foreign currency loans, those loans cannot exceed certain statutory limits and must be registered with SAFE or its local branches. If we finance our PRC subsidiaries by capital contributions using, for instance, proceeds from our initial public offering, those capital contributions must be filed with the Ministry of Commerce, or the MOFCOM, or its local branches. In addition, because of the regulatory restrictions related to foreign currency loans to, and non-ownership arrangement in, domestic PRC enterprises, we may not be able to finance our affiliated PRC entities and its subsidiaries operations by loans or capital contributions. We cannot assure you that we can obtain these governmental registrations or approvals on a timely basis, if at all.

These limitations could affect the ability of these entities to obtain foreign exchange through debt or equity financing, and could adversely affect our business and financial conditions.

The M&A Rules and other regulations may make it more difficult for us to make future acquisitions or dispositions of our business operations or assets in China.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulations require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008, were triggered. In addition, PRC national security review rules which became effective on September 1, 2011 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. It is not certain whether businesses we may acquire would fall within the scope of industries required for national security review and whether such acquisitions may be required to go through the national security review process. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share, as well as our overall competitiveness.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our company to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to increase their registered capital or distribute profits to us, or otherwise materially and adversely affect us.

SAFE has promulgated several regulations, including the Notice Concerning Foreign Exchange Controls on Domestic Residents – Offshore Investment or Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or Circular 37, effective on July 4, 2014, which superseded the Notice Concerning Foreign Exchange Controls on Domestic Residents – Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or Circular 75. These regulations and rules require PRC residents and corporate entities to register with, SAFE or its local branches in connection with their direct or indirect offshore investment activities. See Item 4.B. Business Overview – Government Regulations – Regulations Relating to Foreign Currency Exchange. These regulations and rules apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

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Under Circular 37, a PRC resident who makes, or has previously made, a direct or indirect investment in an offshore company for the purpose of investment or capital financing with assets or equities of PRC enterprises or with offshore assets or equities legally held by such PRC resident, referred to as offshore special purpose vehicles, or Offshore SPV, is required to register that investment with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an Offshore SPV is required to update the previously filed registration with SAFE or its local branches, as the case may be, to reflect any material change with respect to such PRC resident's investment in the Offshore SPV, including the changes of basic information of such PRC resident, increase or decrease in capital, share transfer or share swap, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiaries of that Offshore SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various foreign exchange registration requirements described above could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

We have requested our relevant shareholders who are subject to the SAFE regulations to make the necessary registrations under the SAFE regulations. However, we may not be fully informed of the identities of the beneficial owners of our company. Our shareholders, including Mr. Lee Ligang Zhang, Mr. Boquan He, Ms. Feiyan Huang, Mr. Minjian Shi, and Mr. Baoqing Liu, have completed their registrations pursuant to Circular 37. There is no assurance that our shareholders and beneficial owners of our shares who are PRC residents can complete the necessary registrations and amendments under Circular 37 in a timely manner or at all, or will comply with the requirements under Circular 37 or other related rules in the future. Any failure by our shareholders or beneficial owners of our shares who are PRC residents to comply with these regulations and rules could subject us to fines or legal sanctions, including restrictions on the ability of our PRC subsidiaries to pay dividends or make distributions to, or obtain foreign currency-denominated loans from, us, as well as restrictions on our ability to increase our investment in China. As a result, our business and prospects, as well as our ability to distribute profits to you, could be materially and adversely affected.

Our holding company structure may restrict our ability to receive dividends or other payments from our PRC subsidiaries and our affiliated PRC entities, which could restrict our ability to act in response to changing market conditions and to satisfy our liquidity requirements.

We are a holding company, and we may rely on dividends and other distributions on equity to be paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, as foreign-invested enterprises in the PRC, may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At its discretion, it may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund and a staff welfare and bonus fund. These enterprise expansion reserve and staff welfare and bonus funds are not distributable as cash dividends. As of March 31, 2018, except for iKang Beijing Xuanwumen, iKang Beijing Yayun, iKang Guobin Jiuxianqiao, iKang Health Cloud (Beijing) Software, iKang Shanghai Xikang Road, iKang Shanghai Lujiazui, iKang Shanghai Yan'an West Road, iKang Guangzhou Huanshi East/Tianhe, iKang Chengdu Waishuangnan, iKang Chengdu Hongzhaobi, iKang Chongqing and iKang Fuzhou Gulou, none of our PRC subsidiaries, our affiliated PRC entities and their respective subsidiaries had a statutory reserve fund that reached 50% of their respective registered capital. Therefore, our PRC subsidiaries, our affiliated PRC entities and their respective subsidiaries (except for iKang Beijing Xuanwumen, iKang Beijing Yayun, iKang Guobin Jiuxianqiao, iKang Health Cloud (Beijing) Software, iKang Shanghai Xikang Road, iKang Shanghai Lujiazui, iKang Shanghai Yan'an West Road and iKang Guangzhou Huanshi East/Tianhe, iKang Chengdu Waishuangnan, iKang Chengdu Hongzhaobi, iKang Chongqing, iKang Fuzhou Gulou) would continue to allocate at least 10% of their respective after-tax profits to the statutory reserve fund until the aggregate amount of such a fund reaches the 50% threshold.

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Our PRC subsidiaries do not have equity interests in the affiliated PRC entities. Our affiliated PRC entities may distribute their profits to us primarily by means of paying service and consulting fees or by other means permitted by law, which would be subject to additional PRC taxes and local levies generally at the combined rates of ranging from 6.72% to 6.78%, respectively, of the total fees paid by the affiliated PRC entities to our PRC subsidiaries. In addition, the PRC tax authorities could request that our affiliated PRC entities adjust their taxable income upward for PRC tax purposes if such authorities determined that the contractual arrangements between our PRC subsidiaries and affiliated PRC entities were not entered into based on arm's-length principles, which could materially and adversely affect our affiliated PRC entities' ability to distribute their profits to us. See [Risks Related to Our Corporate Structure](#). The contractual arrangements with our affiliated PRC entities may be reviewed by the PRC tax authorities for transfer pricing adjustments, which could increase our overall tax liability. In addition, our PRC subsidiaries generally should audit their yearly financial statements according to PRC GAAP and pass resolutions for dividend distribution prior to paying dividend to us. Furthermore, dividends paid to us by our PRC subsidiaries are subject to the 10% withholding tax unless we are considered a PRC resident enterprise under the EIT Law and such dividends qualify as tax-exempt income. See [Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations](#) and [Item 4.B. Business Overview](#). [Government Regulations](#) [Regulations Relating to Taxation](#) [Enterprise Income Tax](#).

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC accounting standards and regulations, our PRC subsidiaries, our affiliated PRC entities and their respective subsidiaries are restricted from transferring a portion of their net assets to us. Amounts restricted include paid-in capital and the statutory reserves of our PRC subsidiaries, affiliated PRC entities and their respective subsidiaries. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and affiliated PRC entities not available for distribution was US\$264 million as of March 31, 2018.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See [Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations](#).

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries.

As the offshore holding company of our PRC subsidiaries, any capital contributions or loans that we make to our PRC subsidiaries, including from the proceeds of our securities offerings, are subject to PRC regulations. Any loans by us to our PRC subsidiaries to finance the operations of our PRC subsidiaries, which are foreign-invested enterprises, may not exceed statutory limits and are required to be registered with SAFE or its local branches. We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be filed with the MOFCOM or its local branches. We cannot assure you that we will be able to obtain these government approvals or registrations on a timely basis, if at all. If we fail to obtain such approvals or registrations, our ability to use our net proceeds from our initial public offering and to capitalize our operations in China may be severely restricted, and could materially and adversely affect our liquidity and our ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the SAFE Circular 142, which provided that the registered capital of a foreign-invested company converted from foreign currencies may (i) only be used for purposes within the business scope approved by the applicable governmental authority and (ii) not be used for equity investments by the foreign-invested company within the PRC unless otherwise provided. Furthermore, SAFE promulgated the SAFE Circular 45, in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi converted from foreign currency to provide entrusted loans or repay inter-company loans. On March 30, 2015, SAFE promulgated the SAFE Circular 19, which has taken effective and replaced the SAFE Circular 142 since June 1, 2015. Under the SAFE Circular 19, the foreign

exchange capital in the capital account of foreign-invested enterprises can be settled at the banks based on the actual operation needs of the enterprises subject to certain restrictions. The proportion of discretionary settlement of foreign exchange capital is temporarily determined as 100%. On June 9, 2016, SAFE promulgated the SAFE Circular 16 which restricts a foreign-invested enterprise from using Renminbi converted from foreign currency to provide loans to non-affiliated enterprises. However, the SAFE regulations and rules may still significantly limit our ability to transfer the net proceeds from our securities offering to our affiliated PRC entities or their respective subsidiaries through our PRC subsidiaries in China, which may adversely affect the business expansion of our affiliated PRC entities or their respective subsidiaries, and our affiliated PRC entities and their respective subsidiaries may not be able to convert the net proceeds from our initial public offering into Renminbi to invest in or acquire any other PRC companies, or establish other variable interest entities in the China. See Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Currency Exchange.

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A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC domestic individuals may subject such employees or us to fines and legal or administrative sanctions.

In February 2012, SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or Circular 7, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly- Listed Companies issued by SAFE in March 2007, or Circular 78. Under these rules, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC resident employees who have been granted share options, or PRC option holders, will be subject to these rules upon the listing and trading of the ADSs on the NASDAQ. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders may be subject to fines and legal or administrative sanctions, as a result of which our business operations and equity incentive plans could be materially and adversely affected. See Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Currency Exchange Employee Stock Option Plan.

Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations.

Under the EIT Law, and the Implementation Regulations to the PRC Enterprise Income Tax Law, or the EIT Law Implementation Regulations, both effective from January 1, 2008, an enterprise established outside of the PRC with its de facto management body within the PRC is considered to be a resident enterprise and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The EIT Law Implementation Regulations define the term de facto management body as a management body that exercises full or substantial control and management authority over the production, operation, personnel, accounts and assets of an enterprise. The State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore incorporated enterprise is located in China. On July 27, 2011, the SAT issued Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status and post-determination administration. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold tax on payments of PRC-sourced dividends, interest and royalties to the offshore incorporated PRC resident enterprise. On January 29, 2014, the SAT further issued Announcement on Determination of Resident Enterprises under De Facto Management Body Standard, or Bulletin 9, which delegates the determination of the status of offshore incorporated PRC resident enterprise to the provincial-level tax authorities. Bulletin 9 is applicable to the enterprise income tax filings for 2013 and onwards. See Item 4.B. Business Overview Government Regulations Regulations Relating to Taxation Enterprise Income Tax. Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC corporate groups and not those controlled by PRC individuals or non-PRC persons, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises.

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We do not believe that we should be treated as a PRC resident enterprise, however, it is unclear whether we will be classified as a PRC resident enterprise. If we are treated as a PRC resident enterprise for PRC enterprise income tax purposes, we would be subject to the 25% enterprise income tax rate on our global income as well as PRC enterprise income tax reporting obligations. Although under the EIT Law and the EIT Law Implementing Regulations if we were treated as a PRC tax resident enterprise dividends paid to us from our PRC subsidiaries should qualify as tax-exempt income, there is no assurance that we would enjoy such tax-exempt treatment on dividends paid to us from our PRC subsidiaries in the same manner as offshore incorporated PRC resident enterprises controlled by PRC enterprises or PRC corporate groups enjoy under Circular 82 and Bulletin 45. As a result, such dividends may be subject to a 10% withholding tax, as the SAT and other PRC authorities have not yet issued guidance with respect to the treatment of outbound remittances to entities that are treated as resident enterprises controlled by PRC individuals and non-PRC persons, like us, for PRC enterprise income tax purposes.

We may be required to withhold PRC income tax on the dividends we pay you (if any), and any gain you realize on the transfer of our common shares and/or ADSs may be subject to PRC tax if we are treated as a PRC resident enterprise.

Pursuant to the EIT Law, we may be treated as a PRC resident enterprise for PRC tax purposes. See Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations. If we are so treated by the PRC tax authorities, we may be obligated to withhold PRC income tax on payments of dividends on our common shares and/or ADSs to investors that are non-resident enterprises of the PRC because the dividends payable on our common shares and/or ADSs may be regarded as being derived from sources within the PRC. The withholding tax rate would generally be 10% on dividends paid to non-resident enterprises. In addition, if we are treated as a PRC tax resident enterprise, any gain realized by investors who are non-resident enterprises of the PRC from the transfer of our common shares or ADSs may be regarded as being derived from sources within the PRC and be subject to withholding tax at the rate of 10%. The PRC tax may be reduced under applicable tax treaty. See Item 10.E. Taxation PRC Taxation.

Moreover, if we are treated as a PRC resident enterprise, it is possible that a non-resident individual investor would be subject to PRC individual income tax at a rate of 20% under the PRC Individual Income Tax Law, or IITL, on dividends paid to such investor (which tax on dividends may be withheld at source) and any capital gains realized from the transfer of our common shares and/or ADSs if such dividends and gains are deemed income derived from sources within the PRC. The PRC tax rate may be reduced under applicable tax treaty. Under the PRC-U.S. tax treaty, a 10% rate will apply to dividends, provided certain conditions are met. A non-resident individual is an individual who is not domiciled in the PRC and does not reside within the PRC or has resided within the PRC for less than one year. Pursuant to the IITL and its implementation rules, the taxable gain from the transfer of our common shares or ADSs will be based on the total amount obtained minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income. The foregoing PRC tax may reduce your investment return on our common shares and ADSs and may also affect the price of our common shares and ADSs.

The PRC tax authorities enhanced scrutiny of PRC enterprise income tax on offshore equity transfers may have a negative impact on your investment in the ADSs.

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the SAT issued the Notice Concerning the Strengthening of Enterprise Income Tax Administration with Respect to Equity Transfers by Non-resident Enterprises, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively as of January 1, 2008. On February 3, 2015, the SAT issued Announcement on Several Issues regarding the Indirect Assets Transfer by Non-resident Enterprises, or Bulletin 7, which replaced certain provisions under Circular 698 and provided more detailed rules as to the tax administration over indirect transfers by non-resident enterprises. On October 17, 2017, the SAT issued the *Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises*, or SAT Circular 37, to completely repeal Circular 698 and the second paragraph of Section 8 of Bulletin 7. By

promulgating and implementing rules, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise and other taxable PRC assets by a non-PRC resident enterprise.

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Under Bulletin 7, if a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise or other taxable PRC assets indirectly via disposing of the equity or other similar interests of an overseas holding company, or Indirect Transfer, and such Indirect Transfer lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax, such Indirect Transfer may be treated as a direct transfer of equity interests in the PRC resident enterprise or other taxable PRC assets. As a result, any gain from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10% (or PRC enterprise income tax at the rate of 25% if the transferred asset relates to the asset of a permanent establishment in China). The payer of transfer proceeds under such an Indirect Transfer of equity interests in a PRC resident enterprise is obligated to withhold the aforesaid PRC withholding tax. If the payer fails to make such withholding, it may be subject to an administrative fine ranging from 50% to 300% of the amount of tax that was not withheld which may be reduced or exonerated in certain circumstances. Further, the transferor under Indirect Transfer must file and pay the withholding tax to the competent tax authority, or otherwise the tax authority may pursue the transferor for the unpaid withholding tax and impose a late payment interest. The PRC tax authorities may enforce Bulletin 7 with respect to the transfer of equity interests in our company or our non-PRC subsidiaries by non-PRC resident investors other than the transfer of equity securities through public markets, such as the NASDAQ where our ADSs are listed (that is, these rules are not applicable if both the purchase and sale of equity interests are made on the NASDAQ).

According to SAT Circular 37, the amount of taxable income equals the remainder after deducting the net equity value from the equity transfer income. Equity transfer income means the consideration collected by the transferor from the equity transfer, including income in both monetary form and non-monetary form. Net equity value means the tax basis for acquiring such equity. The tax basis for the equity is the capital contribution costs actually paid by the equity transferor to a PRC resident enterprise at the time of the investment and equity participation, or the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of such equity. Bulletin 7 became effective as of February 3, 2015, although it has retroactive effect. There is little guidance and practical experience as to the retrospective application of Bulletin 7 and SAT Circular 37, and it is possible that the PRC tax authorities would pursue our offshore shareholders to conduct a filing regarding our offshore restructuring transactions where non-resident investors were involved and would request our PRC subsidiary to assist in providing such disclosures. In addition, if our offshore subsidiaries are deemed to lack substance they could be disregarded by the PRC tax authorities. Some of our shareholders have made some share transfers in our company prior to our initial public offering and not made tax filings in accordance with Circular 698. As a result, we and such non-PRC resident shareholders may be at risk of being taxed under Bulletin 7 and SAT Circular 37, and may be required to expend valuable resources to comply with Bulletin 7 and SAT Circular 37 or to establish that we should not be taxed under Circular 698.

By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct and indirect transfer of equity interests in a PRC resident enterprise by a non-PRC resident enterprise. The PRC tax authorities have the discretion under Circular 59, Bulletin 7 and SAT Circular 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-PRC resident enterprise under the EIT Law and if the PRC tax authorities make adjustments under Circular 59, Bulletin 7 or SAT Circular 37, our income tax costs associated with such potential acquisitions will increase, which may have an adverse effect on our financial condition and results of operations.

Fluctuations in the value of the Renminbi could result in foreign currency exchange losses.

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on exchange rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi solely to the U.S. dollar. Under this revised policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Since July 2008, however, the Renminbi has traded within a narrow range against the U.S. dollar. As a consequence, the Renminbi has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how this new policy may impact the Renminbi exchange rate.

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Substantially all of our revenues and operating expenses are denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our subsidiaries and affiliated entities in China. Any significant revaluation of the Renminbi may materially and adversely affect any dividends payable on our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we received from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Consequently, fluctuations in exchange rates, primarily those involving the U.S. dollar, may affect the relative purchasing power of these proceeds and our balance sheet and earnings per share in U.S. dollars following our initial public offering. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business, financial condition or results of operations. The Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar.

The hedging options available in China to reduce our exposure to exchange rate fluctuations are fairly limited. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure adequately or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

The audit report included in this annual report is prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of the U.S.-listed companies and a firm registered with the United States Public Company Accounting Oversight Board, or the PCAOB, is required by the U.S. laws to undergo regular inspections by the PCAOB to assess its compliance with the U.S. laws and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC government authorities, our auditors are not inspected by the PCAOB.

Inspections of other accounting firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditors' audit work and their quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditors' audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Risks Related to the ADSs

The market prices for the ADSs have fluctuated and may be volatile.

The trading prices of our ADSs have fluctuated since we first listed our ADSs. Since our ADSs became listed on the NASDAQ on April 9, 2014, the trading price of our ADSs has ranged from US\$11.73 to US\$22.65 per ADS, and the last reported trading price on August 9, 2018 was US\$20.41 per ADS. The prices for our ADSs may continue to fluctuate and be subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;

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- changes in financial estimates by securities research analysts;
- negative publicity, studies or reports;
- general economic, political or social conditions in China;
- fluctuations of exchange rates between Renminbi and U.S. dollar or other foreign currencies;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in the economic performance or market valuations of our centers;
- actual or threatened litigation arising from disputes with our corporate and individual customers;
- addition or departure of our executive officers and key research personnel;
- regulatory developments affecting us, our customers and our industry;
- release of lock-up or other transfer restrictions on our outstanding ADSs or common shares or sales of additional ADSs; and
- sales or perceived potential sales of additional ADSs or common shares.

In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes of our ADSs. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial declines in the

trading prices of their securities. The trading performances of other Chinese companies' securities after their initial public offerings may affect the attitudes of investors towards Chinese companies listed in the United States, which consequently may impact the trading price of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices, business practice, fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities.

In addition, the U.S. and global securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

We may need additional capital, and the sale of additional ADSs or other equity securities could result in additional dilution to our shareholders and the incurrence of additional indebtedness could increase our debt service obligations.

We believe that our current cash and cash equivalents and anticipated cash flow from operations should be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions that we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to issue additional shares or debt securities or to obtain a credit facility. The sale of additional equity and equity-linked securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. Our ability to obtain additional financing will be subject to a number of factors, including general market conditions, government approvals, investor acceptance of our plan of operations and results from our business operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

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Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our common shares or ADSs could cause the price of the ADSs to decline significantly.

Sales of substantial amounts of our common shares or ADSs, including those issued upon the exercise of outstanding options, in the public market, or the perception that these sales could occur, could adversely affect the price of our ADSs and could impair our ability to raise capital through the sale of additional shares. Such sales may also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. All our common shares represented by ADSs were freely transferable by persons other than our directors, executive officers and other affiliates (as that term is defined in the Securities Act) without restriction or additional registration under the Securities Act. The remaining common shares will be available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of our common shares issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common shares. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

Your interest in the ADSs will be diluted as a result of share option grants or other arrangements which require us to issue additional shares.

We granted share options to our employees and advisors in 2004 to 2018. In February and April 2013 and March 2014, we established three Share Incentive Plans to help us recruit and retain key employees, directors and consultants by providing incentives through the granting of equity awards. Under those Share Incentive Plans, we may issue equity awards in the form of share options, restricted shares or share appreciation rights. The maximum aggregate number of shares that may be issued pursuant to all awards shall not exceed 3,074,000 Class A common shares, assuming full exercise of all awards that may be granted under these three share incentive plans. As of March 31, 2018, there were 2,018,725 options and warrants outstanding, which entitle their holders to purchase a total of 2,018,725 Class A common shares. The exercise of options we have granted would result in a reduction in the percentage of ownership of the existing holders of Class A common shares and of ADSs, and therefore could result in a dilution in the earnings per common share and per ADS. You may face difficulties in protecting your interests, and your ability to protect your rights through the United States federal courts may be limited, because we are incorporated under Cayman Islands law.

You might not have the same voting rights as the holders of our Class A common shares and might not receive voting materials in time to be able to exercise your right to vote.

Except as described in the deposit agreement, holders of the ADSs are not able to exercise voting rights attaching to the shares evidenced by the ADSs on an individual basis. Under the deposit agreement, you must vote by giving voting instructions to the depository, including instructions to give a discretionary proxy to a person designated by us. Upon receipt of your voting instructions, the depository will vote the underlying Class A common shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. You may not receive voting materials in time to instruct the depository to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Your right as a holder of ADSs to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to the ADS holders in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. In addition, the deposit agreement provides that the depositary will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, ADS holders may be unable to participate in our rights offerings and may experience dilution in their holdings. In addition, if the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

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You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems necessary in connection with the performance of its duties. The depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement.

Our dual class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A common shares and ADSs may view as beneficial.

Our common shares are divided into Class A common shares and Class C common shares. Holders of Class A common shares will be entitled to one vote per share, while the holder of Class C common shares will be entitled to 15 votes per share, with Class A and Class C common shares voting together as one class on all matters subject to a shareholders' vote. Our ADSs represent our Class A common shares. As of the date of this annual report, there are 805,100 Class C common shares issued and outstanding, all of which are held by Time Intelligent Finance Limited, a British Virgin Islands company which is beneficially owned by Mr. Lee Ligang Zhang's family trust.

As a result of the disparate voting power attached to these two classes of common shares and the concentration of ownership, as of June 30, 2018, Mr. Lee Ligang Zhang owned approximately 34.3% of the total voting power represented by our outstanding common shares and has substantial influence over our business. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A common shares and ADSs may view as beneficial.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement.

A holder of the ADSs may only exercise the voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions of a holder of ADSs in the manner set forth in the deposit agreement, the depository will endeavor to vote the underlying common shares in accordance with these instructions. Under our amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is 10 clear days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your common shares to allow you to cast your vote with respect to any specific matter. In addition, the depository and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depository to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your shares. Furthermore, the depository and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast, or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your common shares are not voted as you requested.

We will rely on the foreign private issuer exemption from most of the corporate governance requirements under the NASDAQ Stock Market Rules.

As a foreign private issuer whose ADSs are listed on the NASDAQ, we are permitted to follow certain home country corporate governance practices pursuant to exemptions under the NASDAQ Stock Market Rules. A foreign private issuer must disclose in its annual reports filed with the SEC each requirement under the NASDAQ Stock Market Rules with which it does not comply, followed by a description of its applicable home country practice. Our Cayman Islands home country practices may afford less protection to holders of our ADSs. We follow our home country practices and rely on certain exemptions provided by the NASDAQ Stock Market Rules to a foreign private issuer, including:

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- regularly scheduled executive sessions of independent directors;
- establish or amend stock option or purchase plans without the approval of shareholders; and
- only independent directors be involved in the selection of director nominees and determination of executive officer compensation.

As a result of our reliance on the corporate governance exemptions available to foreign private issuers, you will not have the same protection afforded to shareholders of companies that are subject to all of NASDAQ's corporate governance requirements.

Furthermore, because we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. As a result, you may not be provided with the same benefits as a holder of shares of a U.S. issuer.

Anti-takeover provisions in our articles of association and rights agreement could have a material adverse effect on the rights of holders of our common shares and ADSs.

Our new memorandum and articles of association that become effective upon the completion of our initial public offering contain provisions limiting the ability of others to acquire control of our company or to cause us to enter into change-of-control transactions. These provisions could deprive our shareholders of opportunities to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction.

The following provisions in our memorandum and articles of association may have the effect of delaying or preventing a change of control of our company:

- our board of directors has the authority, without approval by the shareholders, to issue any unissued shares and determine the terms and conditions of such shares, including preferred, deferred or other special rights or restrictions with respect to dividends, voting and return of capital;

- shareholder(s) who hold(s) more than one third of the voting rights of our company having requisitioned for an extraordinary general meeting at least 21 days previously or any of such shareholders representing more than one half of the total voting rights of all of them, have the right to convene an extraordinary general meeting, and the agenda of such meeting will be set by the shareholder(s) who hold more than one third of the voting rights of our company who requested such meeting or any of such shareholders representing more than one half of the total voting rights of all of them; and
- the amended and restated articles of association may be amended only by a resolution passed at a shareholders meeting by a majority of at least two-thirds of the votes cast.

On December 2, 2015, our board of directors adopted a rights agreement between us and American Stock Transfer & Trust Company, L.L.C., as the rights agent (the Rights Agreement). The Rights Agreement provides, among other things, that when specified events occur, our shareholders of Class A common shares and Class C common shares will be entitled to purchase from us one Class A common share for an exercise price of \$80 for each common share they own. Such purchase rights are triggered by the earlier to occur of (1) our announcement that a person or group has acquired 10% or more of our Class A common shares or the date and time on which any such person or group has acquired more than 50% of our Class A common shares, and (2) the tenth business day, or such later date designated by our board of directors, after any person or group commences a tender or exchange offer that will result in such person or group owning 10% or more of our Class A common shares. The issuance of Class A common shares pursuant to this rights agreement would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors. On November 28, 2016 and November 29, 2017, our board of directors extended the Rights Agreement and it is currently scheduled to expire on December 2, 2018. We also amended the Rights Agreement on March 26, 2018 and May 29, 2018, to render it inapplicable to our proposed going-private merger. For more details, see Item 4.A. History and Development of the Company Proposed Going-private Transaction.

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You may have difficulties in enforcing judgments obtained against us.

We are a Cayman Islands company and substantially all of our assets are located outside the United States. Substantially all of our current business and operations are conducted in China. In addition, except for Thomas McCoy Roberts, none of our directors and officers is a citizen or resident of the United States, and a substantial portion of the assets of these persons is located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Since we are a Cayman Islands company, the rights of our shareholders may be more limited than those of shareholders of a company organized in the United States.

Under the laws of some jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith, and actions by controlling shareholders which are obviously unreasonable may be declared null and void. Cayman Islands law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in some U.S. jurisdictions. In addition, the circumstances in which a shareholder of a Cayman Islands company may sue the company derivatively, and the procedures and defenses that may be available to the company, may result in the rights of shareholders of a Cayman Islands company being more limited than those of shareholders of a company organized in the U.S.

You might not receive distributions on our common shares, or any value for them at all, if it is unlawful or impracticable for us to make them available to you.

The depository of the ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for the ADSs receives on our common shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our common shares your ADSs represent. However, the depository is not responsible if it is unlawful or impracticable to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depository is not responsible for making a distribution available to any holders of ADSs if any government approval or registration is required for such distribution. We have no obligation to take any other action to permit the distribution of the ADSs, common shares, rights or anything else to holders of the ADSs. This means that you might not receive the distributions we make on our common shares or any value for them if it is unlawful or impracticable for us to make them available to you.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. holders of ADSs or Class A common shares.

A non-U.S. corporation will be a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the average quarterly value of its assets is attributable to assets that produce or are held for the production of passive income. Passive income generally includes dividends, interest, rents, royalties and certain gains.

Based upon the nature of our business and estimates of the value of our assets, including goodwill, which are based, in part, on the market price of the ADSs, we believe that we were not a PFIC for our taxable year ended March 31, 2018. However, it is not entirely clear how the contractual arrangements between our wholly-owned subsidiaries, our affiliated PRC entities and the shareholders of our affiliated PRC entities will be treated for purposes of the PFIC rules. Because the treatment of the contractual arrangements is not entirely clear, because we hold and expect to continue to hold a substantial amount of cash and other passive assets, and because the determination of whether we are a PFIC will depend on the character of our income and assets and the value of our assets from time to time, which may be based in part on the market price of our ADSs, which is likely to fluctuate, we may be a PFIC for any taxable year. If we were a PFIC for any taxable year during which a U.S. person owned an ADS or a Class A common share, or the prior taxable year, certain adverse U.S. federal income tax consequences could apply to the U.S. person. See Item 10.E. Taxation U.S. Federal Income Tax Considerations Passive Foreign Investment Company Rules.

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Item 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

In December 2003, ShanghaiMed Healthcare, Inc. was incorporated in the British Virgin Islands, or the BVI, and its name was changed to iKang Guobin Healthcare Group, Inc., or iKang Guobin, in February 2011. In February 2004, ShanghaiMed iKang, Inc., or Beijing iKang, was incorporated in China as a wholly-owned subsidiary of iKang Guobin to commence our preventive healthcare services in China.

In April 2007, Beijing iKang entered into a series of agreements with the shareholders of Shanghai Guobin Medical Holding Co., Ltd. which changed its name to iKang Healthcare Technology Group Co., Ltd. in November 2014, or iKang Holding, in connection with a business combination, and entered into a series of contractual arrangements with iKang Holding and iKang Holding's shareholders through which Beijing iKang gained effective control over iKang Holding. Since the transactions between Beijing iKang and iKang Holding in 2007 till March 31, 2018, in an effort to further expand our services coverage in China, we acquired or constructed 110 medical centers in China.

In September 2010, iKang Holding and Shanghai Yalong Daoyi Services Co., Ltd., or Yalong Daoyi, established Hangzhou iKang Guobin Clinic Co., Ltd. (formerly known as Hangzhou Hongkang Clinic Co., Ltd.), or iKang Hangzhou Xixi, with 80% and 20% equity interest, respectively. In January 2011, iKang Health Management (Zhejiang) Co., Ltd., or Zhejiang iKang, our PRC subsidiary, entered into a series of contractual arrangements with iKang Hangzhou Xixi and the shareholders of iKang Hangzhou Xixi, iKang Holding and Yalong Daoyi, through which Zhejiang iKang gained effective control over the operations of iKang Hangzhou Xixi.

In July 2013, our company acquired a 100% equity interest in Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., or Yuanhua WFOE, which entered into a series of contractual arrangements with Shanghai Yuanhua Information Technology Co., Ltd., or Yuanhua Information, and Yuanhua Information's shareholders through which Yuanhua WFOE gained effective control over the operations of Yuanhua Information. Yuanhua Information and Shanghai Yuanhua Clinic Co., Ltd., a subsidiary of Yuanhua Information, provide medical examination related services in China. Over the years Yuanhua WFOE has cultivated a brand name as a high end medical service provider and a loyal and stable client base. After the acquisition in 2013, Yuanhua WFOE has continued to operate under its own brand and management independently, which has been in a competing position with the medical centers under iKang brand. As a result, 96%, 95% and 96% of Yuanhua WFOE's revenue in fiscal 2014, 2015 and 2016, respectively, was generated from the medical services provided by itself and its contracted third party service providers other than the medical centers under iKang brand. In March 2017, due to the change of one of Yuanhua Information's shareholders, Yuanhua WFOE, Yuanhua Information and Yuanhua Information's shareholders entered into a new series of contractual arrangements with the same terms and the original contractual arrangements were terminated.

In December 2013, Mr. Jinfeng Pan transferred the 80% equity interest in Beijing Jiandatong to Mr. Haiqing Hu. In December 2013, Beijing iKang entered into a series of contractual arrangements with Beijing Jiandatong and Mr. Haiqing Hu through which Beijing iKang gained effective control over the operation of Beijing Jiandatong.

Our legal name is iKang Healthcare Group, Inc. (formerly known as China iKang Healthcare, Inc.) and our commercial name is iKang or iKang Group. We were incorporated on May 25, 2011 as a limited liability company in the Cayman Islands. In March 2014, iKang Guobin became the wholly owned subsidiary of our company through a share exchange through which we acquired all the issued and outstanding shares of iKang

Guobin. In consideration for acquiring iKang Guobin's shares, we issued to each of the shareholders of iKang Guobin the same number of our shares in the same class of common shares or series of preferred shares, as the case may be, as such shareholder held in iKang Guobin. In this manner, the share ownership of our company immediately after the share exchange was identical to the share ownership of iKang Guobin immediately prior to the share exchange.

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In May 2014, we completed an initial public offering of 8,603,558 ADSs (including the ADSs sold in connection with the over-allotment offering), representing 4,301,779 Class A common shares. On April 9, 2014, our ADS were listed on the NASDAQ Global Select Market under the symbol KANG. In conjunction with the completion of our initial public offering, we issued and sold 1,428,571 Class A common shares to Best Investment Corporation, a limited liability company incorporated in the PRC, in April 2014.

Our principal executive offices are located at B-6F Shima Tower, 92A Jianguo Road, Chaoyang District, Beijing 100022, China. Our telephone number at this address is +(8610) 5320-6688. Our registered office in the Cayman Islands is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 801 2nd avenue Suite 403 New York New York 10017.

For a discussion of our capital expenditures, see Item 5.B. Liquidity and Capital Resources Capital Expenditures.

Proposed Going-private Transaction

On August 31, 2015, our board of directors received a preliminary non-binding proposal letter from Mr. Lee Ligang Zhang, our chairman and chief executive officer, and certain of his affiliated entities, and FV Investment Holdings, or the Founder Buyer Group when together with Mr. Zhang and his affiliated entities, proposing to acquire all of our outstanding Class A common shares in a going-private transaction for US\$17.80 per ADS, or US\$35.60 per Class A common share, in cash.

On September 10, 2015, a special committee of our board of directors, consisting solely of independent directors, was formed and proceeded to consider the proposed going-private transaction and to negotiate with the Founder Buyer Group as it existed from time to time, while considering other strategic options available to us, with the aid of J.P. Morgan Securities (Asia Pacific) Limited as our financial adviser, Simpson Thacher & Bartlett as our international legal counsel and Walkers as our Cayman Islands legal counsel.

On November 29, 2015, our board of directors received a preliminary non-binding proposal letter from Meinian Onehealth Healthcare Group Co. (formerly known as Jiangsu Sanyou Group Co., Ltd.), or Meinian, Cathay Capital Private Equity SAS, Shenzhen Ping An Decheng Investment Co., Ltd., Taiping Guofa (Suzhou) Capital Management Co., Ltd., Sequoia China Investment Management LLP and Huatai Ruilian Fund Management Co., Ltd., or collectively the Meinian Buyer Group, proposing to acquire all of our outstanding Class A common shares, or Class A Shares, and Class C common shares, or the Shares when together with Class A Shares, in a going-private transaction for US\$22.00 per ADS, or US\$44.00 per Share, in cash.

On June 6, 2016, our board of directors received a preliminary non-binding proposal letter from Yunfeng Capital, proposing to acquire all of the Shares in a going-private transaction for US\$20.00 to US\$25.00 per ADS, or US\$40.00 to US\$50.00 per Share, in cash.

On June 7, 2016, the special committee of independent directors was notified that Mr. Zhang and certain of his affiliated entities determined to withdraw from the Founder Buyer Group and withdraw their prior going private proposal made on August 31, 2015, as disclosed in the Schedule 13D/A filed by Mr. Zhang and certain of his affiliates on June 7, 2016.

On June 8, 2016, the special committee of independent directors was also notified that Meinian determined to withdraw from the Meinian Buyer Group and determined that it would not submit a binding offer for a going private transaction involving our company. We understand that Meinian publicly announced, on June 8, 2016, that it was withdrawing from the Meinian Buyer Group and that the Meinian Buyer Group would not submit a binding offer for a going private transaction involving our company.

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Announced on March 12, 2018, the special committee of independent directors received a proposal from Yunfeng Capital and Alibaba Investment Limited, proposing a transaction in which a consortium led by Yunfeng Capital and Alibaba Investment Limited would acquire all of the outstanding Class A common shares, Class C common shares (together with Class A common shares, the Shares) and ADSs of the Company in an all-cash transaction for US\$20.00 per ADS or US\$40.00 per Share.

On March 26, 2018, we entered into the Merger Agreement with IK Healthcare Investment Limited (Parent), a special purpose vehicle wholly-owned by one or more affiliates of Yunfeng Capital and Alibaba Group Holding Limited (collectively, the Sponsors), and IK Healthcare Merger Limited (Merger Sub), a wholly-owned subsidiary of Parent.

Upon the terms and subject to the conditions of the Merger Agreement, at the effective time of the merger, Merger Sub will merge with and into our company, with our company continuing as the surviving company and a wholly-owned subsidiary of Parent, and each of the Shares (including Shares represented by ADSs) issued and outstanding immediately prior to the effective time of the merger and each of the ADSs will be cancelled and cease to exist in exchange for the right to receive US\$41.20 per Share or US\$20.60 per ADS, in each case, in cash, without interest, except for (i) Shares held by Parent, our company or any of their respective subsidiaries, (ii) Shares issued to the depository of our ADS program and reserved for the exercise of the options granted under our share incentive plans, (iii) certain Shares (including Shares represented by ADSs) beneficially owned by Mr. Lee Ligang Zhang and Mr. Boquan He (collectively, the Rollover Shareholders) at the consummation of the merger in connection with the Transactions (the Rollover Shares), and (iv) Shares owned by holders who have validly exercised and not effectively withdrawn or lost their rights to dissent from the merger pursuant to Section 238 of the Companies Law of the Cayman Islands, which Shares will be cancelled at the effective time of the merger for the right to receive the fair value of such Shares determined in accordance with the provisions of Section 238 of the Companies Law of the Cayman Islands. At the effective time of the merger, the Rollover Shares will be cancelled for no consideration, and the Rollover Shareholders will subscribe for newly issued shares of an affiliate of Parent.

Our board of directors, acting upon the unanimous recommendation of the special committee of independent directors, approved the Merger Agreement and the transactions contemplated by the Merger Agreement (the Transactions), including the merger, and resolved to recommend that our shareholders vote to authorize and approve the Merger Agreement and the Transactions, including the merger. The special committee of independent directors, which is composed solely of independent directors of our company who are unaffiliated with any member of the Yunfeng/Alibaba Buyer Group (as defined below) or management of our company, exclusively negotiated the terms of the Merger Agreement with Parent, Merger Sub and the Rollover Shareholders (collectively, the Yunfeng/Alibaba Buyer Group) with the assistance of its independent financial and legal advisors.

The merger, which is currently expected to close during the third quarter of 2018, is subject to customary closing conditions, including a condition that the Merger Agreement be authorized and approved by an affirmative vote of shareholders representing at least two-thirds of the Shares present and voting in person or by proxy as a single class at an extraordinary general meeting of the Company's shareholders. We also amended our shareholder rights plan to render it inapplicable to the Merger Agreement and the Transactions, including the merger.

On May 29, 2018, we entered into an amendment to the Merger Agreement (the Amended Merger Agreement), pursuant to which Boyu Capital Fund III, L.P. joined the affiliates of Yunfeng Capital and Alibaba Group Holding Limited as a sponsor and provided equity financing for the transactions contemplated by the Amended Merger Agreement (the Amended Transactions). We also amended our shareholder rights plan to render it inapplicable to the Amended Merger Agreement and the Amended Transactions.

On May 30, 2018, we filed a going private transaction statement on Schedule 13E-3 which attaches as an exhibit a preliminary proxy statement that, subject to completion, will be used at the extraordinary general meeting of our shareholders. Please refer to the preliminary proxy statement for more information about the merger including the effects of the merger on our company and the effects on our company if the merger is not completed.

If completed, the going-private transaction will result in us becoming a privately-held company and our ADSs will no longer be listed on the NASDAQ. See Item 3.D. Risk Factors - Risks Related to Our Business. The consummation of the proposed going-private transaction is uncertain, and the announcement and pendency of the transaction could materially and adversely affect our business, results of operations and financial condition.

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Major Equity Investments

Investment in NCI Health

In February 2016, we completed a strategic equity investment in New China Life Insurance Health Investment Management Co., Ltd., or NCI Health, at a total price of RMB765.0 million. After the foregoing investment, New China Life Insurance Co., Ltd., we and another investor hold 45%, 45% and 10% equity interest in NCI Health, respectively.

In December 2017, iKang Healthcare Technology Group Co., Ltd. (iKang Holding), an affiliate of Mr. Lee Ligang Zhang Ligang Capital Investment (Shenzhen) Co., Ltd. (Ligang Capital), Shenzhen Putai Investment & Development Co. Ltd. (Putai Investment) and AVIC Trust Co., Ltd. (AVIC Trust) entered into the Limited Partnership Agreement to establish a limited partnership (AVIC Partnership), namely Hangkang Investment Management Partnership (Limited Partnership) of Ningbo Meishan Bonded Port Area, to invest in the healthcare sector. With respect to AVIC Partnership 's registered capital, Ligang Capital and Putai Investment, as general partners, each subscribed RMB 1 million; AVIC Trust, as a senior limited partner, subscribed no more than RMB 430 million; and iKang Holding, as a junior limited partner, subscribed RMB 70 million. We have not made any capital contribution to date. AVIC Partnership purchased 25% equity interest in NCI Health from iKang Guobin Medical Examination Management Co., Ltd. (iKang Medical Examination), and both parties further entered into a Long-term Purchase Agreement, which provides iKang Medical Examination the option to repurchase the equity interest at the initial purchase price plus an agreed premium within three years. AVIC Partnership also authorized iKang Medical Examination to exercise management rights of the 25% equity interest during the same period through the Letter of Authorization. Furthermore, we and AVIC Partnership entered in to the Corporation Guarantee Agreement, under which, we, as guarantor, will provide guarantee for iKang Medical Examination 's performance in connection with such purchase.

Investment in Medical Centers

In July 2017, we, iKang Holding, China Industrial Asset Management Limited (or China Industrial Asset Management), Ligang Capital and an affiliate of China Industrial Asset Management- Ningbo Meishan Bonded Port Area Yuansheng Investment Management Co., Ltd. (Ningbo Yuansheng) entered into a cooperation agreement to form certain healthcare investment funds to invest in medical centers. The aggregate size of the healthcare investment funds will not exceed RMB502 million. Ligang Capital and Ningbo Yuansheng will act as general partners and each contribute RMB1 million to the investment funds. We and China Industrial Asset Management will each contribute up to RMB50 million to the investment funds as limited partners. The investment funds will admit other limited partners which will contribute up to RMB400 million. Pursuant to the arrangements, the investment funds will either set up new medical centers or acquire existing medical centers.

In October 2017, further to the cooperation agreement above, iKang Holding, Ligang Capital, Ningbo Yuansheng, China Industrial Asset Management and Shanghai Yuansheng Investment Management Co., Ltd. (Shanghai Yuansheng) entered into the Limited Partnership

Agreement to establish a limited partnership (China Industrial Partnership), namely Aiyong Xingsheng Healthcare Equity Investment Partnership (Limited Partnership) of Ningbo Meishan Bonded Port Area (Aiyong Xingsheng Limited Partnership Agreement) to conduct equity investment in healthcare projects. With respect to China Industrial Partnership 's registered capital, Ningbo Yuansheng and Ligang Capital, as general partners, each subscribed RMB 1 million; China Industrial Asset Management, as a senior limited partner, subscribed RMB 400 million; Shanghai Yuansheng and iKang Holding, as junior limited partners, each subscribed RMB 50 million. According to the Aiyong Xingsheng Limited Partnership Agreement, the cooperation agreement in July 2017, and the Long-term Purchase Agreement entered into between Ningbo Meishan Bonded Port Area Aiyong Xingsheng Healthcare Equity Investment Partnership (LP) (Aiyong Xingsheng) and iKang Holding in October 2017, the parties will set up new medical centers under China Industrial Partnership, or acquire equity interests in existing medical centers directly held by us and/or iKang Holding or other third parties; And after operating these medical centers for a period of at least two years, China Industrial Partnership will transfer their interests in these medical centers to us firstly or other third parties appointed by us at tentative agreed price equal to their original costs with an annual return rate of 15% or the price then agreed by partners of Aiyong Xingsheng during the exit period.

B. BUSINESS OVERVIEW

Overview

We provide comprehensive and high quality preventive healthcare solutions including a wide range of medical examinations services and value-added services, including disease screening, dental care services and other services in China. As of March 31, 2018, our nationwide network consisted of 110 self-owned medical centers, which contributed the majority of our revenue and our self-owned medical center network covered 33 of the most affluent cities in China, namely Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Tianjin, Nanjing, Suzhou, Hangzhou, Chengdu, Fuzhou, Jiangyin, Changzhou, Wuhan, Changsha, Yantai, Yinchuan, Weihai, Weifang, Shenyang, Xi'an, Wuhu, Guiyang, Ningbo, Foshan, Jinan, Bijie, Qingdao, Wuxi, Kaili, Mianyang and Zhenjiang, as well as Hong Kong. We have also supplemented our self-owned medical center network by contracting with approximately 400 third-party service provider facilities which include selected independent medical examination centers and hospitals across all of China's provinces, creating a nationwide network that allows us to serve our customers in markets where we do not have self-owned medical centers.

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Our nationwide network offers a wide range of medical examination services and provides a one-stop solution to our corporate customers which have a broad geographic footprint in China. As a single point of contact for our corporate customers, we provide consistent and high quality services to their employees and clients in different locations and reduce their administrative burden. We also provide our customers with professional consultation and medical referrals for additional as-needed diagnosis or treatment. Our centers are independent of hospitals and located in prime urban locations. Equipped with advanced equipment and staffed with experienced medical professionals, each center provides a comfortable and friendly environment to our customers.

We intend to further strengthen our leading position in the private healthcare services market in China and achieve future growth by transforming ourselves into an integrated health management company. To achieve this goal, we have launched three apps including (i) a personalized medical examination app to offer customized medical examination services, (ii) a specialized doctoral referral app to offer one-stop mobile medical services platform among patients, hospitals and doctors and (iii) a comprehensive healthcare management app to offer fully integrated healthcare management solutions including medical and dental examination appointment, online report check and doctor referral services. In addition, we will continue to diversify our service offerings by providing a full-range of dental care services in our medical centers as well as high-quality outpatient services through collaborating with top doctors from public hospitals.

Our net revenues were US\$370.8 million, US\$435.7 million and US\$563.9 million for fiscal 2015, 2016 and 2017, respectively.

Our Services

Through our integrated service platform, we offer comprehensive healthcare management solutions including:

- medical examinations, which normally cover, among others, the following basic examination items: internal, gynecology, ophthalmology, ENT, dental, lab tests, electrocardiogram, ultrasound and X-ray; and
- value-added services at selected medical centers including:
 - (1) disease screening focusing on cancer screening, cardiovascular disease screening, certain chronic disease screening and functional medicine testing;
 - (2) dental care including oral health, pediatric dentistry, cosmetic dentistry, orthodontics and dental implants;

(3) outpatient services such as acupuncture, Chinese medicine, gynecology, internal medicine, obstetrics, ophthalmology, pediatrics, urology and minor surgery; and

(4) on-site healthcare management or clinics at certain locations wherein we assign small medical teams to provide scheduling services or operate primary care clinics on the premises of a customer.

Our medical examination services for our customers typically involve a registration process followed by a consultation with doctors. After the consultation, examinations and blood tests which required to be done on an empty stomach are performed. We then draw blood for lab tests and provide breakfast for our customers. Our customers then undergo the remaining examinations, which may include cardiogram, internal, X-ray, dental, vision and hearing. For our corporate customers, we upload examination reports online or deliver hard copies to them, and for individual customers, we notify the customers to pick up the examination reports or upload the report online for their review.

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We provide services through our nationwide network of self-owned medical centers and the facilities of third-party service providers. We integrate the scheduling of and payment for services provided by third-party service providers through our online and telephonic healthcare management and consulting system which allows the employees or clients of our corporate customers and individual customers to make reservations online or by phone for (1) medical examination services at our 110 self-owned centers and approximately 400 third-party service providers in approximately 33 cities as of March 31, 2018 and (2) outpatient services at nine of our self-owned medical centers and dental treatment at 50 of our self-owned medical centers. In fiscal 2015, 2016 and 2017, we served 95.4%, 95.2% and 97.1% of our customers in our self-owned medical centers and the remaining approximately 4.6%, 4.8% and 2.9% through our third party providers, respectively. In fiscal 2015, 2016 and 2017, the number of visits to our self-owned medical centers amounted to approximately 4,363,000, 5,313,000 and 6,395,000, respectively, while the number of visits to third party service providers amounted to approximately 212,000, 271,000, and 192,000, respectively.

We integrate our medical examination and disease screening services across our nationwide network by offering online or telephone discussion of health risk assessments. We also provide nationwide health consultation and medical concierge services through our online and telephonic healthcare management and consulting system. Patients can pay for online consultations, telemedicine, disease monitoring and second opinions through our online system. In June 2017, we launched our strategic initiative iKangCare+ to provide our corporate customers with professional and comprehensible interpretations on results of medical examinations through our Apps, official WeChat, medical centers and clinics, toll-free help lines and on-site medical services.

iKangCare+ corporate client platform is able to generate self-served personalized medical examination service checkup menus for each employee of the corporate customer, provide them with professional and comprehensive interpretation and guidance on the results of their tests, identify any abnormal findings and provide a targeted in-depth test program. We also combined the most advanced screening measures available and upgraded solutions related to high-morbidity cancer into our core medical examination package. We have been continuously building our competitive advantage to reinforce contacts between our customers and medical experts and addressing shortfalls in post-cancer diagnosis via the iKangCare+ corporate client platform. In addition, we launched the iKangPartners+ plan. Under this plan, we are able to provide our customers with high quality services through our strong partnerships with academic institutions, medical associations, leading providers in the field of in vitro diagnosis and genetic testing, and world-class vendors in medical equipment.

Our Self-Owned Medical Centers

As of March 31, 2018, we owned and operated an extensive network of 110 medical centers located in 33 of China's most affluent cities and Hong Kong. Our self-owned medical centers are typically located at prime locations, including areas that are adjacent to financial and commercial centers or otherwise easily accessible by our customers. The following table shows certain information about our network of self-owned medical centers by geographic location as of March 31, 2018.

	Medical Center	Year Acquired(1) or Constructed
Beijing	1	iKang Beijing Ritan
	2	iKang Beijing Lidu
	3	iKang Beijing Jianguomen

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4	iKang Beijing Zhongguancun	Constructed in 2008
5	iKang Guobin Jiuxianqiao	Acquired in 2008
6	iKang Beijing Xuanwumen	Constructed in 2010
7	iKang Beijing Xinei	Constructed in 2012
8	iKang Beijing Jun an(4)	Constructed in 2013
9	iKang Beijing Yayun	Constructed in 2013
10	iKang Beijing Baishi	Constructed in 2014
11	iKang Beijing Wanzhishou	Constructed in 2014
12	Beijing Zhenjing	Acquired in 2015
13	Beijing iKang Zhuoyue Jingxi	Acquired in 2015
14	Beijing Tianjian Sunny Health Anhuaqiao	Acquired in 2015
15	Beijing iKang Guobin Sunny Jingchao	Acquired in 2015
16	Beijing iKang Guobin Sunny Jingchun	Acquired in 2015
17	Beijing iKang Guobin Shunping	Constructed in 2016
18	Beijing iKang Guobin Headquarter Base	Constructed in 2016
29	Beijing iKang Guobin Baiyun Shidai Square	Constructed in 2016
20	Beijing Bohui	Acquired in 2016

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Shanghai			
21	iKang Shanghai Gubei		Acquired in 2007(2)
22	iKang Shanghai Pudong Avenue		Acquired in 2007(2)
23	iKang Shanghai Xikang Road		Acquired in 2007(2)
24	iKang Shanghai Yangpu		Constructed in 2008
25	iKang Shanghai Lujiazui		Acquired in 2010
26	iKang Shanghai Jing an		Acquired in 2012
27	iKang Shanghai Zhonghuan		Acquired in 2012
28	iKang Shanghai Yan an East Road		Constructed in 2012
29	iKang Shanghai Yan an West Road		Constructed in 2012
30	iKang Shanghai Jianwei		Acquired in 2012
31	Shanghai Yuanhua Clinic Co., Ltd.		Acquired in 2013
32	Shanghai Huajian		Acquired in 2014
33	Shanghai Jinxiu Huajian		Acquired in 2014
34	Shanghai Jinshen Huajian		Acquired in 2014
35	Shanghai Zhenjing		Acquired in 2015
36	Shanghai iKang Evergreen		Constructed in 2016
Shenzhen			
37	iKang Shenzhen Nanshan		Acquired in 2007
38	iKang Shenzhen Luohu		Acquired in 2008
39	iKang Shenzhen Futian		Acquired in 2011
40	iKang Shenzhen Kefa		Acquired in 2013
41	iKang Shenzhen Cultural Building		Constructed in 2016
Guangzhou			
42	iKang Guangzhou Huanshi East		Acquired in 2007(2)
43	iKang Guangzhou Tianhe(3)		Constructed in 2008
44	iKang Guangzhou Wokang		Acquired in 2012
45	Guangzhou Zhujiang New City(4)		Constructed in 2015
46	Guangzhou Zhenxing Traditional Chinese Medical		Acquired in 2015
47	Guangzhou Zhongtai		Constructed in 2016
Nanjing			
48	iKang Nanjing Xinjiekou		Acquired in 2008
49	iKang Nanjing Gulou		Acquired in 2011
50	iKang Nanjing Aoyang(4)		Acquired in 2013
51	iKang Nanjing Hedingqiao		Constructed in 2015
Chengdu			
52	iKang Chengdu Waishuangnan		Constructed in 2009
53	iKang Chengdu Jinjiang		Constructed in 2012
54	Chengdu Gaoxin iKang West City		Constructed in 2014
55	Chengdu iKang Guobin Ommay Health Examination Hospital		Acquired in 2015
56	Chengdu iKang Guobin Luomashi		Constructed in 2016
57	Chengdu Gaoxin iKang Tianyun		Constructed in 2017
58	Chengdu Gaoxin iKang Dental		Constructed in 2017
Mianyang			
59	Mianyang iKang Guobin		Constructed in 2016
Hangzhou			
60	iKang Hangzhou Xixi		Constructed in 2010
61	iKang Hangzhou Wenhui		Constructed in 2012
62	Hangzhou Aibo		Acquired in 2013
63	iKang Hangzhou Jiangnan Avenue		Constructed in 2015

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Fuzhou			
	64	iKang Fuzhou Gulou	Constructed in 2011
Tianjin			
	65	iKang Tianjin Heping	Constructed in 2012
	66	iKang Tianjin Hedong Dongrun	Acquired in 2015
	67	iKang Tianjin Hexi Fenghui	Acquired in 2015
	68	iKang Tianjin Hexi	Constructed in 2015
	69	iKang Tianjin Nankai Yuecheng	Constructed in 2016
	70	Tianjin Han erxi	Acquired in 2017
Chongqing			
	71	iKang Chongqing	Constructed in 2012
	72	Chongqing iKang Zhuoyue	Constructed in 2015
Suzhou			
	73	iKang Suzhou	Constructed in 2012
	74	Suzhou Zhuoyue	Constructed in 2014
	75	Suzhou iKang Gaoxin	Constructed in 2017
Wuxi			
	76	iKang Wuxi Maoye	Constructed in 2016
Jiangyin			
	77	iKang Jiangyin	Constructed in 2013
Changzhou			
	78	iKang Changzhou	Constructed in 2014
Shenyang			
	79	iKang Shenyang Hospital	Acquired in 2014
	80	iKang Shenyang Ningshan Hospital	Acquired in 2014
	81	Gold iKang Shenyang Hospital	Acquired in 2014
Changsha			
	82	iKang Changsha	Acquired in 2015
	83	iKang Zhuoyue Changsha	Constructed in 2016
	84	Changsha Guobin	Constructed in 2017
Wuhan			
	85	iKang Wuhan	Acquired in 2015
	86	iKang Zhuoyue Wuhan	Constructed in 2016
	87	Wuhan iKang Jindun	Constructed in 2017
Yinchuan			
	88	iKang Yinchuan	Acquired in 2015
	89	iKang Yinchuan (II)	Constructed in 2016
Yantai			
	90	iKang Yantai	Acquired in 2015
	91	iKang Yantai Health Examination	Acquired in 2015
	92	iKang Yantai Health Examination Laishan	Acquired in 2015
Weihai			
	93	iKang Weihai Medical Examination	Acquired in 2015
Weifang			
	94	iKang Weifang	Acquired in 2015
	95	iKang Guobin Weifang High-Tech Industrial Development Zone	Constructed in 2016
Foshan			
	96	iKang Foshan	Constructed in 2015

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Xi an			
	97	Xi an Lianhu Yinglun Hospital	Acquired in 2015
	98	Xi an Yanta Yinglun	Acquired in 2015
	99	Xi an Weiyang Yinglun	Acquired in 2015
Wuhu			
	100	iKang Wuhu	Constructed in 2015
Guiyang			
	101	iKang Guiyang	Acquired in 2015
Ningbo			
	102	Ningbo Haishu iKang Guobin	Constructed in 2016
Jinan			
	103	Jinan iKang Zhuoyue	Constructed in 2016
Qingdao			
	104	Qingdao Shangri-La iKang Zhuoyue	Constructed in 2016
Kaili			
	105	Guizhou Kaili iKang Guobin	Constructed in 2016
Bijie			
	106	Guizhou Bijie iKang Guobin	Constructed in 2016
Zhenjiang			
	107	Zhenjiang iKang	Constructed in 2017
Hong Kong			
	108	MediFast (Hong Kong) Ltd. (Causeway Bay)	Acquired in 2014
	109	MediFast (Hong Kong) Ltd. (Kowloon)	Acquired in 2014
	110	Medifast (Hong Kong) Ltd. (Central)	Constructed in 2016

(1) Acquired in this table and in this Business section refers to either gaining effective control through contractual arrangements or ownership through share purchase of the operating subsidiary by our affiliated PRC entity. See Item 4.C. Organizational Structure.

(2) We gained control of these four centers through our agreements with iKang Holding as described in Item 4.C. Organizational Structure. Their construction dates were 2004, 2007, 2000 and 2005, respectively.

(3) iKang Guangzhou Tianhe is iKang Guangzhou Huanshi East's outlet under separate operations.

(4) A medical examination center under our iKang Evergreen brand.

Our self-owned medical centers primarily offer a wide range of medical examination services. A customer undergoing a medical examination at our medical centers receives additional professional consultation and, if needed, medical referral services.

A typical iKang medical center occupies 2,500 square meters and has the capacity to perform approximately 350 medical examinations per day. In measuring the maximum capacity of each of our self-owned medical centers, we take into account the fact that certain medical examinations

can only be scheduled during limited hours in the morning and a number of other factors including center size, the number of examination rooms, the number of medical equipment and medical staff. In fiscal 2015, 2016 and 2017, our self-owned medical centers performed approximately 4.4 million, 5.3 million and 6.4 million medical examinations, respectively. When we open a new medical center in a region that is already served by existing medical centers, the new medical center increases our service capacity in that region and provides more choices for corporate customers. Some existing corporate customers will choose to be serviced at the newly opened center based on convenient location or other factors. In addition, the sales and marketing team for that region will often refer and encourage existing corporate customers to use the services at the newly opened medical center primarily based on the capacity and utilization of each medical center in this region.

Each of our medical centers is equipped with x-ray and ultrasound machines. In most of our medical centers , we maintain a VIP area where we offer our higher billing customers a more comfortable, spacious and private environment and shorter waiting time as well as personal guidance during the entire examination process.

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Since September 2013, we have opened five high-end medical examination centers under our iKang Evergreen brand in Beijing, Shanghai, Nanjing, Guangzhou and Hangzhou, respectively, targeting high-net-worth individuals. Our iKang Evergreen centers feature more upscale and comfortable environment and allow customers greater privacy, customized services and more individual attention. We provide in our iKang Evergreen centers comprehensive and state-of-the-art medical examination services using advanced equipment. In addition, in March 2015, we acquired a 70% equity interest in WA Centers HK limited, or WA Health Care, which is a provider of high-end medical services and operates two medical centers in prime locations in Shanghai and Beijing.

We centralize many of the functions of our medical centers including procurement of major equipment and consumables, sales and marketing (national and regional) and online scheduling.

We operate centralized laboratories in each city in which we operate. In addition to an annual certification from the local health bureau, we have invested in certain items of laboratory equipment that we believe entitle us to apply to the College of American Pathologists for accreditation and the International Organization for Standardization (ISO) 15189:2007 standard for medical laboratories.

We measure the success of our medical centers and their staff primarily by quality control measures, customer satisfaction and financial performance. Our corporate level management supervises the centers through announced and unannounced personal visits, constant communications with center management and through our own management software and systems.

Our Third-Party Service Providers

In order to better serve our customers, especially those corporate customers with a nationwide presence, we work with approximately 400 third-party medical examination centers, hospitals and outpatient clinics to provide (1) medical examinations or disease screening services in locations that complement those that we provide or that are more convenient to our customers by virtue of their geographic locations, and (2) inpatient care, outpatient services, specialized testing or dental care that we do not provide. We primarily utilize the services of our third-party service providers when our corporate customers request services in locations where we do not operate our self-owned medical centers. We pay service fees to such service providers based on the number of medical examinations and services they perform for our customers.

We carefully select our third-party service providers based on reputation, recommendations from customers and our own assessment of the quality of the institution and staff. Minimum selection criteria include the appropriate licenses and agreement to follow our pricing policy, billing procedures and billing systems. We also require our partners to have a system to handle complaints and to have persons assigned as liaisons to us at multiple levels. We carefully monitor feedback from our customers on the services provided by third-party service providers.

Quality Control and Risk Management

The quality of our services is critical to our business and our brand and is key to our continued growth and success. As such, we place great emphasis on quality control and have an established quality control system throughout our self-owned medical centers. By adopting standardized

procedures, we have been able to maintain consistent quality and to apply our accumulated experience to doctor and supporting staff recruitment and retention, supplier selection, customer satisfaction and general business management practices. A quality control manager at our headquarters periodically assembles teams made up of marketing and technical personnel to conduct both by-name and anonymous surveys of customers, which help identify opportunities for continued improvement with regards to various aspects of each center's operations. The results of the surveys are shared with staff members, and improvement plans are implemented and integrated into staff development efforts. Each medical center is certified annually by the local health bureau either through an on-site inspection or through administrative approval by means of forms that we submit, and each lab is inspected annually by the local health bureau.

We apply rigorous selection criteria in choosing third party service providers. We monitor the service quality of our third party service providers primarily through the feedback that we actively solicit from our customers and through frequent visits in the context of directly assisting our customers in various capacities when they use third party service providers.

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We have established a customer complaint management system which generally requires (1) urgent complaints and major complaints to be responded to within an hour and resolved within 24 hours and (2) other complaints to be responded to and resolved within one business day. We had a customer service team comprised of personnel at our call centers and onsite at our medical centers, and one of their functions is to address customer complaints on a 24/7 basis. Our quality management center, VIP service center, project execution department, product department, sales department, health examination clinics and the medical service provider department, as applicable, work with our customer service team to resolve complaints in a timely and effective manner by following our complaint-processing procedure.

We have implemented a confidential information security policy which requires, among others, (1) all of our employees to keep all customer data confidential and to receive mandatory training on our information security policies; (2) to adopt security measures in the transmission, storage and disposal of customer data; (3) access to customer data to be given only to employees who require such access to carry out his or her work assignment, and all hardcopies and electronic copies of such customer data to be removed upon the completion of the relevant work assignment; (4) customer data to be used only for the purpose of providing services to the customers themselves and for research purposes, in which case, on an anonymous basis; and (5) that all of our vendors and consultants who need to have access to our customer data shall go through background checks and sign written contracts which impose obligations to comply with our information security policies, and such access shall be terminated immediately upon the completion of the relevant assignment.

We have also established various measures to ensure our network and data security, including (1) a web application firewall system to block attacks and unfriendly access from external sources and to prevent the loss of data; (2) a database auditing system to monitor and analyze all internal data access requests and to identify and deny suspicious data access requests; (3) an Internet access gateway at each of our clinics to control and ensure the security of data exchange between the clinic and our central database; and (4) Internet gateways and firewalls to restrict access to external network from our internal computer network.

Online and Telephonic Healthcare Management and Consultation

We operate an online and telephonic health management and consultation system which provides our customers with convenient and hassle-free access to our nationwide network. We integrate third-party service providers into our network through customer scheduling and payment systems.

We have call centers in Beijing, Shanghai and Guangzhou which have 271 seats in total equipped with a modern computer telephony interface system that interconnects with our customer relationship management, management information and enterprise resource planning systems. We operate the center using one nationwide hotline for which callers are only charged for the cost of a local call. Our call centers have (1) operations personnel who answer calls and communicate with customers and provide consultation services through our online dialogue system, make appointments for medical examinations and outpatient care and receive customer feedback; (2) supporting staff responsible for quality control, complaints, hiring, training, data analysis and nationwide scheduling of support to all centers; and staff who serve third-party service providers including taking and confirming orders, following up on overdue payments, managing data, settlement and remote area service.

Mobile Applications

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We launched our personalized medical examination mobile app, iKang Medical Exam APP, in March 2015. The iKang Medical Exam APP offers a one-click service that allows both self-paid individuals and corporate employees to upgrade their standardized medical examination packages to personalized packages based on their medical records and lifestyle. The iKang Medical Exam APP is built on the data analysis from epidemiological studies on how age, sex, genetic testing results, medical history and lifestyle affect outcomes in specific diseases, and offers up-to-date clinical guidelines for diagnosis for each specific disease.

We launched our Doctor Referral App in April 2015. The Doctor Referral App is a one-stop mobile medical services platform among patients, hospitals and doctors. Our Doctor Referral App is designed to connect the medical needs of patients, hospitals and teams of doctors, using mobile Internet technology to build up a platform that links up doctor's appointments, doctor visits and follow-up services. By partnering with large hospitals, this app is now offering booking appointments to shorten waiting times and hospital stays. Right after the booking, patients are encouraged to upload their previous medical records onto the Cloud if patients wish their doctor to review their medical records in advance. In addition to the appointment booking and medical record management, this app also has other features including symptom-based self-assessment and health education.

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We launched our healthcare management app, iKang App, in August 2016. The iKang App provides our customers with comprehensive healthcare management solutions including medical and dental examination appointment, online report check and doctor referral services. As of March 31, 2018, the registered user of iKang App was approximately 3.3 million and the number of its daily active users is approximately 90,000 at its peak time. In addition, customers are now able to retrieve their historical medical examination reports through this app.

Technology and Infrastructure

Our information technology systems serve our customers and ensure the increased efficiency of our business by monitoring each center's performance, refining resource allocation, responding to changes in geographic markets, tracking consumption patterns and proactively directing customers to certain locations and services. We have a highly scalable and advanced information technology infrastructure designed to satisfy the requirements of our operations, to support the rapid growth of our business and website traffic and to ensure the reliability of our operations as well as the security of customer information. The main components of our technology architecture include the following:

Privacy and Security of User Data. We store customer data on a limited number of servers which have industry standard authentication mechanisms and which are maintained by our own information technology staff. When customers access their health information online, they do so through a password-protected encrypted website.

Tailored Customer Program and Interface. We offer corporations and individuals a convenient and interactive information technology platform to access medical reports and data. In particular, we have designed an interface where corporate customers can view trends and statistics about their employees' health conditions on an aggregated and anonymous basis, while individual customers can retrieve their personal health information. Our information technology system allows us to combine a sophisticated in-depth results analysis to monitor an individual customer's health condition with professional personal medical recommendations.

Servers and Bandwidth. We usually equip each medical center with one to three servers. In addition, we have 98 servers currently located in leased space in the Internet data center of a third-party content distribution network, or CDN, provider. Our CDN provider provides us with access to bandwidth from China Telecom, China Unicom, and China Mobile, etc. We do not have a separate agreement for mobile bandwidth. Our CDN provider provides the leased space for our servers and the Internet connectivity, but the servers are maintained by our information technology staff. The CDN provider has no access to their contents. Our disaster recovery plan works on two levels: (1) real-time movement of data to other host servers if necessary or (2) complete system restoration using backup files that are created weekly and stored separate from the servers where the data originated. In addition, we have selected two cloud storage service providers, Amazon Web Services and Alibaba Cloud, for big data computing and content delivery network, respectively.

Integration with Third-Party Service Providers. The degree of systems integration between our third-party service providers and us varies. All our third-party service providers access patient scheduling data by using a booking system we designed functions similar to an online travel website. Selected providers participate in an online electronic settlement system for sending payment requests to us. We have provided certain modules of our systems such as the software for collecting medical examination results to selected providers. The complete integration of medical records and test results held by third-party service providers into our systems is currently significantly limited by privacy regulations promulgated by the NHFPC and local health bureaus, in particular in Guangdong province.

Performance Management and Revenue Maximization. Our information technology system provides valuable data for our management to monitor, evaluate and make important business decisions on a timely basis. It also enhances our ability to manage our overall operation and therefore allows us to maintain product and service quality and consistency while growing rapidly. We manage customer traffic across our medical centers to maximize overall occupancy and enhance our customer satisfaction by improving appointment efficiency and accuracy. We also monitor the consumption of consumables as part of our centralized procurement system. Our system allows our management to centrally control pricing across our network. We track industry-wide pricing information to determine our pricing structure across products, locations and seasons to enhance revenues by optimizing daily occupancy.

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As of March 31, 2018, we employed 118 full-time engineers based at our headquarters to operate our network infrastructure, and each self-owned medical center employed one to two information technology staff depending on the number of self-owned medical centers in close proximity.

We rely on the intellectual property laws and confidentiality agreements with our employees, customers, third-party service providers and others to protect our proprietary rights. We have registered 18 copyrighted software programs that we developed ourselves for managing our operations. In addition, we entered into a confidentiality agreement with each of our employees who have access to sensitive and confidential information pursuant to which prohibit our employees from disclosing any confidential information concerning our proprietary technology.

Sales and Marketing

We have a professional and experienced sales team of approximately 2,600 personnel as of March 31, 2018 targeting mid to large size corporate customers. Our sales force is organized by geographic region, industry and customer type such as multinational companies, PRC state-owned entities, private-owned enterprises and government agencies. We have multiple sales and marketing channels including:

Direct Sales Force. The majority of our sales and marketing is conducted through highly targeted marketing initiatives, including direct contact between our representatives and customers' key decision-makers. We devote considerable attention to educating the human resources staff of our target customers on the value of our various service offerings to their employees. Meanwhile, we allocate significant sales resources to develop and maintain certain key account customers and customers in certain industries such as banking and insurance. We have established a comprehensive and effective management, training, compensation and promotion system for our sales and marketing team, which has helped ensure and improve the effectiveness of our sales and marketing activities.

Intelligent Monitoring Systems. Depending on a customer's test results, we market certain follow-up health tests to the customer via our online system. We also monitor how frequently a person undergoes examinations and tests, and our system will send automated reminders if and when another examination or testing is medically recommended.

Advertising. While the quality of our services is the cornerstone of our business and has enabled us to achieve significant brand recognition among our existing and target customers, our cost-efficient advertising also helps enhance our brand awareness. The majority of our advertising is on our primary website. We also from time to time enter into barter arrangements with advertising agencies, under which we provide medical examination services to the employees and clients of these advertising agencies in exchange for advertising of our brand through newspapers, magazines, television, outdoor advertising media and the Internet, which otherwise would require significant cash expenditures.

Online Sales. As part of our sales and marketing efforts, we engage in online marketing on our own website and APP,

WeChat and leading PRC e-commerce websites such as Taobao, Tmall, JD.com, Suning and Meituan targeting individual customers. We also employ innovative and interactive new media channels including Microblog and WeChat to attract individual customers.

Business Development

We have grown our business through the construction of new centers and through selective acquisitions of businesses and assets from third parties. Among the 110 self-owned medical centers as of March 31, 2018, we acquired 54 medical centers through strategic acquisitions and constructed the other 56.

We have developed a set of rigorous criteria that allows us, together with market intelligence from our medical centers, to identify the most attractive medical centers for acquisition or construction. Our main criteria include: (1) the level of economic development of the city where the medical center is located, and (2) the location of the center in proximity to the city center and business districts. For acquisitions, in addition to the above criteria, we take into account (1) the size and interior design of the facility; and (2) the rent and acquisition price. There are typically ten different government approvals, licenses or permits associated with opening a new center which in our experience in total require an average of four-six months to obtain. The two permits typically requiring the longest amount of time are the environmental impact statement (90 days) and the radiation safety permit (90 days).

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In order to meet the increasing need of our corporate customers to provide their employees nationwide standardized coverage through a single provider, we plan to extend the reach of our self-owned medical centers into additional affluent cities beyond the ones in which we currently operate by strategically acquiring or constructing new medical centers.

Customers

Our customers are primarily corporate customers who contract us to provide medical examination services to their employees and clients and pay for these services at pre-negotiated prices. We also directly market our services to individual customers. In fiscal 2015, 2016 and 2017, we had approximately 30,900, 36,400 and 41,100 corporate customers, respectively, and approximately 518,500, 722,800 and 975,300 individual customers, respectively. Total customer visits increased from approximately 4,575,000 in fiscal 2015 to approximately 5,584,000 in fiscal 2016, and further to approximately 6,587,000 in fiscal 2017. In fiscal 2015, 2016 and 2017, 83.6%, 83.6% and 81.2% of our net revenues was derived from corporate customers, and 16.4%, 16.4% and 18.8% from individual customers, respectively.

Corporate Accounts

As of March 31, 2018, we had corporate accounts with multinational corporations, private enterprises, government agencies and state-owned enterprises. Our top customers in terms of revenues in fiscal 2017 included banks and insurance companies. We have grown our portfolio of corporate customers from approximately 30,900 corporate customers in fiscal 2015 to approximately 36,400 corporate customers in fiscal 2016, and further to approximately 41,100 corporate customers in fiscal 2017. These large corporations seek to build healthier and more productive employees by providing them with healthcare benefits such as annual medical examinations and disease screening options that are typically not included in government-required health insurance plans. Certain of our corporate customers contract us to provide services to certain of their clients as a benefit of their company-client relationship.

Our corporate account contracts typically include key terms such as the length of the contract, scope of services, the geographic area within which the services will be provided, and pricing and billing terms and payment arrangements. These terms vary depending on the size of the contract, customer relationship and credit history. Our payment arrangements typically include pre-payment arrangements and billing cycle either monthly or quarterly.

Individual Accounts

Individual customers contributed 16.4%, 16.4% and 18.8% of our net revenues in fiscal 2015, 2016 and 2017, respectively. However, we view individual accounts as an important long-term growth driver, and we plan to utilize various sales, marketing and communication strategies to further enhance our brand awareness to grow our individual customer base. In particular, we are planning to increase marketing through Internet channels, large scale advertisement and

targeted advertisement through channels catering to health-conscious individuals.

High Net-worth Individuals

Since September 2013, we have opened five high-end medical examination centers under our iKang Evergreen brand in Beijing, Shanghai, Nanjing, Guangzhou, and Hangzhou, respectively, providing in-depth medical examination services, cancer screening services and early detection and prevention services of cardiovascular diseases. In addition to the regular checkups, our iKang Evergreen centers offer MRI scans, multi-slice CT screening and various cancer tests and genetic marker evaluations. Over time we seek to broaden the target customer base beyond executives whose packages are funded by their corporation to include executives, business leaders, celebrities and other high net-worth individuals seeking a more extensive and quality service approach to healthcare. In addition, in March 2015, we acquired a 70% equity interest in WA Health Care, which is a provider of high-end medical services and operates two medical centers in prime locations in Shanghai and Beijing.

Suppliers

We procure consumables, reagents and the associated testing instruments, durable medical equipment, other miscellaneous equipment and outsourced services from third-party suppliers and service providers. We are not substantially dependent on any of our suppliers.

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Costs related to medical consumables accounted for 36.2%, 34.7% and 35.0% of our cost of revenues in fiscal 2015, 2016 and 2017, respectively. We have established centralized purchasing systems at both the regional and national levels to purchase medical consumables from a selected group of suppliers, including Roche and Siemens, which enables our medical centers to obtain favorable prices for medical consumables and therefore lowers our costs. We regularly monitor usage at our self-owned centers to minimize costs.

We purchase reagents and the associated equipment for testing the biological samples through two different types of purchasing arrangements: (1) the reagent manufacturer provides us with complimentary machines to use with their reagent pursuant to an agreement to purchase the reagent exclusively from them, and (2) we purchase a specific testing machine and the contract will include free supplies of the relevant reagent.

We purchase and lease medical equipment in our medical centers from suppliers. The medical equipment that we purchase and lease is usually manufactured by recognized manufacturers, including but not limited to GE, Philips, Siemens and Roche.

We typically purchase medical equipment either through manufacturer-approved distributors in China or occasionally directly from the manufacturers if the terms of the sale are favorable.

We also have suppliers for software, office equipment, hosting of servers and Internet bandwidth, and we outsource certain medical tests to licensed third-party laboratories and medical institutions.

We inspect each batch of shipped medical devices and materials according to our quality standards and certain national health, safety and environmental standards, and return defective materials to the suppliers for replacement.

Competition

The preventive healthcare services industry in China is still in the early stages of development and is highly fragmented. We face significant competition from two main types of competitors: the medical examination departments of major public hospitals and private medical examination companies. The private medical examination market is further segmented into (1) large national companies such as Ciming Checkup and Health 100; (2) regional providers such as Rich Health; and (3) numerous local independent medical examination centers located in nearly every city in China.

The principal competitive factors in the preventive healthcare services market primarily include:

- (1) value as measured by price and quality of service;

- (2) convenience and location in proximity to place of business or residence;
- (3) brand recognition and reputation; and
- (4) targeted marketing and customized services.

Intellectual Property

We regard our trademarks, service marks, domain names, software copyrights, trade secrets and similar intellectual property as critical to our competitiveness and success. We rely on the trademark, copyright and other intellectual property laws and confidentiality agreements with our employees, customers, third-party service providers and others to protect our proprietary rights.

As of March 31, 2018, we have registered 245 trademarks with the PRC Trademark Office of the State Administration for Industry and Commerce. We own or possess the rights to 192 domain names that we use in connection with the operation of our business, and have copyrighted 18 software programs that we developed ourselves for managing our operations. As our brand name gains more recognition among the general public, we will work to increase, maintain and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and branding strategy and the continued growth of our business.

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For details of our litigation related to unauthorized use of our intellectual property and other proprietary information by third parties, see Item 8.A. Consolidated Statements and Other Financial Information – Legal Proceedings.

Government Regulations

Regulations Relating to Foreign Investment in Our Industry

According to the *Catalog of Industries for Guiding Foreign Investment (2017 Revisions)* promulgated by the Ministry of Commerce and National Development and Reform Commission, or the NDRC, the establishment of medical institutions fell within the restricted category of industries for foreign investment in China. Normally, foreign investors are restricted to establishing and operating medical service businesses via Sino-foreign cooperatives or equity joint ventures in accordance with the *Interim Measures for Administration of Sino-foreign Joint Venture and Cooperative Medical Institutions* effective as of July 1, 2000 and its supplementary regulations, or the Sino-foreign Medical Institution Measures. Under the Sino-foreign Medical Institution Measures and its supplementary rules, the share percentage of foreign investment in a Sino-foreign medical institution cannot exceed 70%, except that qualified Hong Kong, Macao and Taiwan investors may set up wholly foreign-owned medical institutions subject to certain conditions and geographic restrictions. In addition to the restrictions on the equity proportion of foreign investment, the Sino-foreign Medical Institution Measures also set certain qualifications and requirements on shareholders investing in foreign-invested medical institutions, such as relevant medical industry and management experience requirements for shareholders. There is a breakthrough to the Sino-foreign Medical Institution Measures in Shanghai Pilot Free Trade Zone in accordance with the *Interim Measures for the Administration of Wholly Foreign-owned Medical Institutions in China (Shanghai) Pilot Free Trade Zone* effective as of November 13, 2013, that foreign medical institutions are allowed to establish and operate a wholly foreign owned medical institution, company, enterprise or other economic entity in PRC, upon approval of the administrative authorities of the Chinese government. However, followed by the *Circular of the General Office of the State Council on Issuing the Special Administrative Measures (Negative List) for Foreign Investment Access to Pilot Free Trade Zones* promulgated on April 8, 2015, which was further amended on June 5, 2017, foreign investors are still restricted to establishing and operating medical service businesses via Sino-foreign cooperatives or equity joint ventures rather than wholly foreign owned medical institution.

In November 2010, several ministries including the NDRC and the NHFPC, promulgated the *Circular Forwarded by the General Office of the State Council relating to the Opinions on Further Encouraging and Guiding Private Capital Investment in Medical Institutions*, or the Private Capital Investment Circular. The Private Capital Investment Circular states that restrictions on foreign investment in medical institutions should be lifted, including gradually lifting the 70% restriction on foreign ownership in medical institutions. According to the Private Capital Investment Circular, the establishment of wholly foreign-owned medical institutions is only permitted in certain cities which are approved as pilot cities even though the number of such cities is gradually growing. However, the above amendment has not been implemented at the provincial or municipal level in many cases and therefore many local governments continue to follow the previous rules and impose a 70% foreign ownership limit and foreign investor qualification requirements when approving and registering medical institutions. As a result, as of the date of this annual report, our company's investments in its operating companies in the healthcare section continue to be made in accordance with the previous rules governing foreign investment in the healthcare sector.

We primarily operate our business in China via variable interest entities, or the VIEs, instead of wholly-owned subsidiaries due to the foresaid restrictions on equity proportion of foreign investment and qualification requirements on foreign investors. See Item 3.D. Risk Factors – Risks Related to Our Corporate Structure. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with its restrictions on foreign investment in healthcare and Internet-related businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our economic benefits in the assets and operations of our affiliated PRC entities and Risks Related to Our Corporate Structure. Substantial uncertainties exist with respect to the adoption of new or revised of PRC laws relating to our corporate structure, corporate governance and business operations.

Regulations Relating to Encouraging Private Capital Investment in Medical Institutions

The Private Capital Investment Circular (1) establishes priorities for using government resources to support private capital investment in medical institutions, including profit-driven medical institutions where there is a demand to adjust or extend medical resources; (2) encourages the use of private capital to privatize certain state-owned medical institutions subject to the requirements relating to the sale of state-owned assets; (3) states that restrictions on foreign investment in medical institutions should be lifted, including moving the medical institution industry from the restricted category to the permitted category in the foreign investment industry catalog and gradually lifting the 70% restriction on foreign ownership in medical institutions; and (4) reiterates that a non-profit medical institution should not distribute gains to its investors either as dividends or by other means whereas a profit-driven medical institution may distribute gains to its investors.

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In addition, the *Opinion of the General Office of the State Council on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services* promulgated by the General Office of the State Council on May 16, 2017 further encouraged foreign investors to establish high-level medical institutions through Sino-foreign cooperatives and equity joint ventures with pre-establishment national treatment and negative-list-based administration.

Regulations Relating to Medical Institutions

Pursuant to the *Regulations on Administration of Medical Institutions* issued in February 1994 and further amended in February 2016 by the PRC State Council and the *Implementation Rules for the Regulations on Administration of Medical Institution*, or the Medical Institution Regulations and Rules, issued in August 1994 and further amended in February 2017 by the NHFPC, any organization or individual that intends to establish a medical institution must obtain a medical institution establishment approval certificate from the NHFPC or the local health bureau before applying for registration of the legal entity of such medical institution. Under the Medical Institution Regulations and Rules, a medical institution is required to obtain a medical institution practicing license from the NHFPC or the local health bureau before providing medical services. When reviewing the application for a medical institution practicing license, the NHFPC or its local branches will consider whether the proposed medical institution comports with the population, medical resources, medical needs and geographic distribution of existing medical institutions in the region for which the relevant healthcare administrative authority is responsible, as well as whether the proposed medical institution meets the basic medical standards set by the NHFPC or the local health bureau. Medical institutions should provide medical services within the approved or registered scope, and any activities relating to forging, selling, transferring or lending of medical institution practicing license is prohibited. A medical institution practicing license is subject to inspection by the NHFPC or the local health bureau on an annual or every three-year basis depending on the size of the medical institution. All medical institution practicing licenses held by our medical centers are subject to an annual inspection. In addition, personnel and employees directly performing medical services in medical institutions are required to obtain qualification certificates.

Pursuant to the *Interim Provisions on the Administration of Medical Examinations*, or the Medical Examination provisions, issued in August 2009 by the NHFPC, the NHFPC or its local branches are responsible for the regulation of medical examination activities. Medical institutions that plan to operate medical examination businesses should apply to the NHFPC or its local branches for the approval of such medical examination business and register such business with the NHFPC or its local branches by including the business in their medical institution practicing licenses.

Pursuant to the *Rules on Administration of Radiation-related Diagnose and Treatment* issued in January 2006 and further amended in January 2016 by the NHFPC, medical institutions that plan to conduct radiation-related diagnosis and treatment businesses should apply to the NHFPC or its local branches and obtain radiation-related diagnosis and treatment licenses. All of our medical centers that engage in radiation-related diagnosis and treatment business have obtained radiation-related diagnosis and treatment licenses.

Regulation Relating to Administration of Medical Data

PRC laws generally require medical institutions to protect patients' privacy and prohibit unauthorized disclosure of personal information. According to the Medical Examination provisions, the medical institutions carrying out the medical examination shall not disseminate or disclose the personal information of the person undergoing such examination without the prior consent of the relevant person. Moreover, a notice published by the general office of the NHFPC in January 2011 expressly provides that, a medical examination report of whatever nature shall be sealed and provided to the person who receives such examination or the person he designated and shall only be unsealed and read. And the Guiding Opinions of the General Office of the State Council on Promoting and Regulating the Development of the Application of Health and

Medical Data issued in June 2016 provides that, security technologies shall be improved to protect the privacy of patients, the commercial secrets and public safety in spite of the widely use of the Internet and big data. Medical institutions or employees dealing with personal information of patient may be subject to infringement allegations from patients if they do not properly handle personnel information of such patients. We are dealing with the personal information and result of medical examinations of the people who use our services when conducting our medical examination business. See Item 3.D. Risk Factors Risks Related to Our Business Failure to protect confidential information of our customers and their employees or clients and our online system against security breaches could damage our reputation and brand and substantially harm our business, financial condition and results of operations.

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Regulation Relating to Practicing Activities of Doctors and Nurses

According to the *Law on Practicing Physician of the PRC* promulgated in June 1998 and the *Nurse Regulation* published in January 2008 as well as other relevant Chinese laws and regulations, doctors and nurses in China must be registered with and obtain relevant practicing licenses from the competent local health bureau, and may only engage in medical or nursing practice at the place and within the scope as registered in their practicing licenses. Change of practicing place, working concurrently in other medical institutions or otherwise providing medical or nursing services at places other than the registered practicing place of doctors and nurses without proper approval or filing shall be deemed as a breach of the aforementioned laws and regulations. As a result of such violations, doctors and nurses as well as the medical institutions who hire them may be subject to administrative penalties, including fines, loss of licenses, or, in the worst case scenario, an order to cease practice. See

Item 3.D. Risk Factors – Risks Related to Our Business. If we fail to properly manage the employment of our doctors and nurses, we may be subject to penalties including fines, loss of licenses, or an order to cease practice against our medical centers, which could materially and adversely affect our business. Registration and procurement of a practicing license are also required for the medical practice of foreign doctors in China, and any non-compliance by foreign doctors will subject themselves or the medical institutions hiring them to administrative penalties such as warnings, fines, confiscation of illegal income and the revocation of medical practice license in severe cases.

However, such restrictions on practicing places have been gradually loosened since the promulgation of the *Notice of the NHFPC on Relevant Issues regarding Doctors Practicing in Multiple Places* in September 2009, the *Notice of the NHFPC on Expansion of Pilot Locations regarding Doctors Practicing in Multiple Places* in July 2011, the *Several Opinions on Advancing and Standardizing Doctors Practicing in Multiple Places* in November 2014, and the *Administrative Measures for the Registration of Medical Practitioners* in February 2017 (collectively the Multiple Places Practicing Rules). In accordance with the Multiple Places Practicing Rules, doctors practicing in a medical institution may choose to work in other medical institutions in the same province where the original medical institution is located upon filing with the local health bureau administrating the new medical institutions such doctor intends to practice in, and may practicing in other medical institutions across province-level regions upon the approval of local health bureau administrating the new medical institutions such doctor intends to practice in; provided that certain other conditions are met, including the consent of the original medical institution and capabilities for practicing in multiple- institutions.

Regulations Relating to Foreign Investment in the Value-Added Telecommunications Industry

According to the *Administrative Rules for Foreign Investment in Telecommunications Enterprises* promulgated by the State Council with effect from January 2002 and as amended in September 2008 and February 2016, (1) a foreign investor may hold up to 50% equity interest in a value-added telecommunications services operator in China and (2) such foreign investor must have experience and have maintained a good track record in providing value-added telecommunications services overseas.

The *Circular on Strengthening the Administration of Foreign Investment in and the Operation of Value-added Telecommunications Business*, or the Value-added Telecommunications Business Circular, promulgated by the former Ministry of Information Industry in July 2006, reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain an Internet content provider license, or ICP License, to conduct any value-added telecommunications business in China. Under the Value-added Telecommunications Business Circular, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, certain relevant assets, such as the relevant trademarks and domain names that are used in the value-added telecommunications business, must be owned by the local ICP License holder or its shareholders.

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iKang Guobin Healthcare Group Co., Ltd. (formerly known as Beijing iKang Online Technology Co., Ltd), or iKang Online, a subsidiary of iKang Holding, holds an ICP License and operates our websites and online healthcare business.

Regulations Relating to Foreign Currency Exchange

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the *Regulations of the PRC on Foreign Exchange Administration*, or the Foreign Exchange Regulations, as amended in August 2008. Under the Foreign Exchange Regulations and other relevant regulations and rules, Renminbi are freely convertible for current account transactions, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. In order to convert Renminbi for capital account transactions, such as capital injections, loans, repatriation of investments and investments in securities outside the PRC, the prior approval of, or registration with, SAFE or its competent local branches is required. See Item 3.D. Risk Factors Risks Related to Doing Business in China Governmental control of currency conversion may limit our ability to utilize our revenues and financing proceeds effectively.

On March 30, 2015, SAFE promulgated the *Circular on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises*, or Circular 19, pursuant to which the foreign exchange capital in the capital account of a foreign-invested enterprise can be discretionary settled at the banks based on the actual operation needs of such enterprise. The proportion of discretionary settlement of foreign exchange capital is temporarily determined as 100%. The registered capital of a foreign-invested enterprise settled in Renminbi and converted from foreign currencies may not be directly or indirectly used for the payment beyond the business scope of the enterprise approved by MOFCOM and the SAIC or their respective local counterparts, and may not be directly or indirectly used to grant the entrust loans in Renminbi (unless permitted by the scope of business), repay the inter-enterprise borrowings (including advances by the third party) or repay the bank loans in Renminbi that have been sub-lent to third parties. The domestic equity investment of foreign-invested enterprises made with the capital obtained from foreign exchange settlement must be based on the actual investment scale and be transferred to the foreign exchange settlement account for pending payment opened by the invested enterprises. On June 9, 2016, SAFE promulgated the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts*, or the Circular 16 which restricts a foreign-invested enterprise from using Renminbi converted from foreign currency to provide loans to non-affiliated enterprises. See Item 3.D. Risk Factors Risks Related to Doing Business in China PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries.

Investment in Offshore Special Purpose Vehicles

In July 2014, SAFE issued the *Notice Concerning Foreign Exchange Controls on Domestic Residents' Offshore Investment or Financing and Roundtrip Investment through Offshore Special Purpose Vehicles*, or Circular 37, which became effective on July 4, 2014. The Circular 37 superseded the *Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore Special Purpose Vehicles*, or Circular 75. Under Circular 37, PRC residents are required to register with SAFE or its local branches prior to establishing, or acquiring control of, an offshore company for the purpose of investment or financing that offshore company with equity interests in, or assets of, a PRC enterprise or with offshore equity interest or assets legally held by such PRC resident. In addition, PRC residents are required to amend their registrations with SAFE and its local branches to reflect any material changes with respect to such PRC resident's investment in such offshore company, including changes to basic information of such PRC resident, increase or decrease in capital, share transfer or share swap, merger or division. Furthermore, according to the relevant rules and regulations issued by SAFE, the shareholders, beneficial owners and/or the PRC operating subsidiaries who apply for remedial SAFE registrations under Circular 37 shall first be

subject to various administrative sanctions, in accordance with the Foreign Currency Administration Regulations, before they can be granted a remedial SAFE registration.

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Restriction on offshore direct investment in this regard has been further strengthened. Latest progress includes the issuance of the *Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance* and corresponding official answers at press conference on January 26, 2017 and a previous official answer at press conferences, namely, *Answers of Persons-in-charge of NDRC, MOFCOM, PBOC and SAFE at Press Conference* and *Answers of Persons-in-charge of NDRC, MOFCOM, PBOC and SAFE on Strengthening Supervision and Administration over Outbound Investment Under Current Outbound Investment Situation* dated December 6, 2016, respectively. Such rules require the NDRC, MOFCOM, PBOC, SAFE and commercial banks to strengthen their reviews of the legitimacy and authenticity of any offshore direct investment.

Failure to comply with the registration procedures of Circular 37 may result in restrictions on the foreign exchange activities of the onshore company, including increases in its registered capital, payments of dividends and other distributions to its offshore parent or affiliate, and may also subject the relevant PRC residents and onshore entities to penalties under foreign exchange administration regulations. The shareholders/beneficiaries of our common shares/ADSs who are PRC residents are subject to, and will remain subject to, the registration requirements under Circular 37 in connection with their investments in us, except for our PRC employees who obtain our common shares or ADSs via employee incentive plans after the initial public offering and register such plans in accordance with Circular 7. See Item 3.D. Risk Factors Risks Related to Doing Business in China PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our company to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to increase their registered capital or distribute profits to us, or otherwise materially and adversely affect us.

Employee Stock Option Plan

On December 25, 2006, the People's Bank of China issued the *Administration Measures on Individual Foreign Exchange*, and SAFE issued implementation rules on January 5, 2007, as amended on May 29, 2016, both of which became effective on February 1, 2007. Under these regulations, all foreign exchange matters pertaining to employee stock ownership plans, stock option plans or related plans in which onshore individuals participate require the approval of SAFE or its authorized branches. On February 15, 2012, SAFE promulgated Circular 7, which replaced Circular 78.

Under Circular 7, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC resident employees who have been granted share options, or the PRC option holders, will be subject to these rules upon the listing and trading of the ADSs on the NASDAQ. If we or the PRC option holders fail to comply with these rules, we or the PRC option holders may be subject to fines and legal or administrative sanctions, as a result of which our business operations and equity incentive plans could be materially and adversely affected. See Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Currency Exchange Employee Stock Option Plan.

In addition, the Ministry of Finance and the State Administration of Taxation have issued circulars concerning individual income taxes relating to employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. The tax base for the employment income would be the fair market value of the received shares at the time of vesting minus the corresponding consideration paid by the employees for the shares. Our PRC subsidiaries have obligations to file documents related to

employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to applicable PRC laws and regulations, we may face fines ranging from 50% to 300% of the overdue taxes.

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Regulations Relating to Dividend Distribution

The principal regulations governing distributions of dividends by foreign-invested companies include the *PRC Companies Law* (2014), the *Wholly Foreign-invested Enterprise Law* (2000), as amended in 2016, and the *Implementation Rules regarding the Wholly Foreign-invested Enterprise Law* (2014).

Under these laws and regulations, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain statutory reserve funds until these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. See Item 3.D. Risk Factors Risks Related to Doing Business in China Our holding company structure may restrict our ability to receive dividends or other payments from our PRC subsidiaries and our affiliated PRC entities, which could restrict our ability to act in response to changing market conditions and to satisfy our liquidity requirements.

Regulations Relating to Labor Laws

The principal labor laws and regulations in the PRC include the *PRC Labor Law*, the *PRC Labor Contract Law* and the *Implementation Regulations of the PRC Labor Contract Law*. Pursuant to the *PRC Labor Law* and the *PRC Labor Contract Law*, employers must enter into written labor contracts with employees. Employers must pay their employee wages equal to or above local minimum wage standards, establish labor safety and workplace sanitation systems, comply with government labor rules and standards and provide employees with appropriate training regarding workplace safety. In addition, the *PRC Labor Contract Law* imposes more stringent requirements on employers with regard to, among others, severance payment and non-fixed-term employment contracts, time limits for probation periods, as well as the duration and the times that an employee can be placed on a fixed-term employment contract. Violations of the *PRC Labor Contract Law* and the *PRC Labor Law* may result in liabilities to employees and subject employer to administrative sanctions including fines or, in the case of serious violations, criminal liability.

The PRC regulatory authorities have passed a variety of laws and regulations regarding statutory social welfare benefits, including, among others, the PRC Social Insurance Law to be effective in July 2011, the Regulations of Insurance for Occupational Injury, the Regulations of Insurance for Unemployment, the Provisional Insurance Measures for Maternal Employees, and the Interim Provisions on Registration of Social Insurance. Pursuant to these laws and regulations, companies in China have to make sufficient contributions of statutory social welfare benefits for their employees, including medical care insurance, occupational injury insurance, unemployment insurance, maternity insurance, pension benefits and housing funds. Failure to comply with such laws and regulations may result in supplementary payments, surcharges or fines.

Regulations Relating to Environmental Protection

Our operations and properties are subject to extensive environmental protection laws and regulations. In accordance with the *Environmental Protection Law of the PRC*, enterprises that discharge contaminants must register with the relevant environmental protection authorities. In accordance with the *Law on Prevention of Water Pollution of the PRC* as amended on June 27, 2017, enterprises which discharge industrial waste water, medical waste water or other waste water shall obtain waste discharge permits. The *Administrative Regulations on Environmental*

Protection for Construction Projects require an environmental impact assessment system for construction projects. An environmental impact assessment report/form or an environmental registration form must be submitted to, and approved by, the relevant environmental protection government authorities before the commencement of construction of the project. After the completion of a construction project, the environmental protection facilities for the project must pass an environmental acceptance inspection by the relevant environmental protection government authority before the completed project can commence operations. In accordance with the *Regulations on Safety and Protection against Radioactive Isotope and Radioactive Devices*, each of our medical centers is required to obtain a radiation safety permit in order to operate the medical equipment in our medical centers that contain radioactive materials or emit radiation during operation. See Item 3.D. Risk Factors – Risks Related to Our Business – Compliance with environmental, health and safety laws and regulations in China can be expensive, and noncompliance with these regulations may result in significant monetary damages, fines and other penalties.

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Regulations Relating to Intellectual Properties

China has enacted various laws and regulations relating to the protection of intellectual property rights, including copyrights, software, trademarks, patents, domain names and other forms of intellectual property. China is a signatory to some main international conventions on protection of intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Copyright. The *PRC Copyright Law*, promulgated in September 1990 and amended in October 2001 and February 2010, and its implementing rules, promulgated in August 2002 and amended in January 2011 and January 2013, set forth the basic legal system for the protection of copyright in the PRC. *The Regulations on Computer Software Protection*, or the Software Regulations, promulgated in December 2001 and amended in January 2013 by the State Council, and the *Measures on the Registration of Computer Software Copyright*, promulgated in February 2002, were formulated in accordance with the PRC Copyright Law. In accordance with the Software Regulations, a software copyright owner may apply for the registration of software at software registration organs recognized by the National Copyright Administration. A registration certificate may serve as preliminary proof of the copyright ownership of registrant. A software copyright of a legal person remains valid for a period of fifty years from the date the publication of such copyright. We have registered 12 software copyrights.

Trademark. In accordance with the *PRC Trademark Law*, promulgated in August 1982, as amended by the Standing Committee of the NPC in February 1993, October 2001 and August 2013, the Trademark Office of the SAIC is responsible for the registration and administration of trademarks in China. The SAIC has established a Trademark Review and Adjudication Board for resolving trademark disputes.

China has adopted a first-to-file principle for trademarks. If two or more applicants apply for registration of identical or similar trademarks for the same or similar commodities, the application that was filed first will receive preliminary approval and will be publicly announced. For applications filed on the same day, the trademark that was first used will receive preliminary approval and will be publicly announced.

Registered trademarks remain valid for ten years from the date that registration is approved. A registrant may apply to renew a registration within six months prior to the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark will be deregistered. Renewed registrations remain valid for ten years.

Patent. In accordance with the PRC Patent Law, first promulgated on March 12, 1984, as amended by the Standing Committee of the NPC on September 4, 1992, August 25, 2000 and December 27, 2008, the State Intellectual Property Office is responsible for administering patents nationwide in the PRC and is solely responsible for accepting and reviewing patent applications and granting patent rights. The patent administration departments at the provincial or municipal level are responsible for administering patents within their respective jurisdictions.

Under the PRC Patent Law, patents are grouped into three categories: inventions, utility models and designs. The PRC patent system also adopts a first-to-file principle, which means that, where more than one person files a patent application for the same invention, a patent will be granted to the person who filed the application first. In addition, the PRC Patent Law requires absolute novelty in order for an invention to be patentable. Under this requirement, any relevant written or oral publication, demonstration or use prior to filing a patent application may prevent an invention from being patented in the PRC. Patents for inventions remain valid for twenty years, and patents for utility models and designs remain valid for ten years, in each case from the filing date of the patent application.

In accordance with the PRC Patent Law, a patent application or patent right may be transferred between parties upon execution of a written agreement between the parties, which becomes effective upon registration with the State Intellectual Property Office.

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Regulations Relating to Leased Property

Pursuant to the Administrative Rules of the Commercial Property Lease effective in February 2011 promulgated by the Ministry of Housing and Urban-Rural Development of the PRC, a property which falls within the following categories may not be leased: (1) being constructed in violation of laws, (2) failing to meet the mandatory safety requirements, or (3) being used for the purposes other than that permitted in its zoning area. In addition, the parties to a property lease contract are required to make registrations for the leased property with competent PRC housing administration authorities. Failure to comply with such registration requirement may subject the parties to a property lease contract to rectification orders issued by competent housing administration authorities which will specify a deadline for such registration. If lessor or lessee does not complete the registration before the deadline, it may be subject to a fine from RMB1,000 (US\$161) to RMB10,000 (US\$1,610). However, according to the *Interpretation of the Supreme People's Court's on Several Questions Concerning Specific Laws Applicable to the Trial of Cases of Urban Property Lease Contract Disputes* issued by the Supreme People's Court of the PRC in July 2009, failure to register a lease contract with competent housing administration authorities does not affect the validity of such lease contract. We usually request our landlords to complete the leasehold registration when we enter into lease agreements with them, but we do not terminate the lease merely because of the landlord's failure to complete the registration. We plan to request our landlords to complete the lease registration for our leased premises. However, as such registration process requires the landlord's cooperation, we may not be able to complete registration for all our leased premises in a timely manner or at all. See Item 3.D. Risk Factors – Risks Related to Our Business. The failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition, results of operations and prospects.

Regulations Relating to Taxation

Enterprise Income Tax

On March 16, 2007, the National People's Congress, the PRC legislature, enacted the PRC Enterprise Income Tax Law, or the EIT Law, which was further amended in February 2017. On December 6, 2007, the State Council promulgated the Implementation Regulations to the PRC Enterprise Income Tax Law, or the EIT Law Implementation Regulations. Both the EIT Law and the EIT Law Implementation Regulations became effective on January 1, 2008. Under the EIT Law and the EIT Law Implementation Regulations, foreign invested enterprises, or FIEs, and domestic companies are subject to a uniform income tax rate of 25% unless otherwise specified.

Under the EIT Law and the EIT Law Implementation Regulations, dividends paid to foreign enterprise investors by PRC tax resident enterprises are subject to PRC withholding tax at the rate of 10% unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a preferential withholding tax rate.

Under the EIT Law, enterprises organized under the laws of jurisdictions outside China with *de facto* management bodies that are located within China may be considered PRC tax resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their

worldwide income. The EIT Law Implementation Regulations define the term *de facto* management body as a management body that exercises full or substantial control and management authority over the production, operation, personnel, accounts and assets of an enterprise. The State Administration of Taxation, or the SAT, issued the *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies*, or Circular 82, on April 22, 2009. Circular 82 provides specific criteria for determining whether the *de facto* management body of a Chinese-controlled offshore enterprise is located in China, which include the presence in the PRC of the following locations: (1) the location where senior management members responsible for an enterprise's daily operations discharge their duties; (2) the location where financial and human resource decisions are made or approved by organizations or persons; (3) the location where the major assets and corporate documents are kept; and (4) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises, rather than enterprises controlled by PRC individuals and non-PRC persons such as our company, the criteria set forth in Circular 82 may reflect the SAT's general position on how the *de facto* management body test could be applied in determining the tax residency status of offshore enterprises. On July 27, 2011, the SAT issued *Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial)*, or Bulletin 45, which became effective on September 1, 2011, amended on April 14, 2015 and partially replaced by Announcement of State Administration of Taxation on Matters Relating to Chinese Tax Resident Identity Certificates which to become effective on October 1, 2016, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status and post-determination administration. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold tax when paying PRC-sourced dividends, interest and royalties to the offshore incorporated PRC resident enterprise. On January 29, 2014, the SAT further issued *Announcement on Determination of Resident Enterprises under De Facto Management Body Standard*, or Bulletin 9, which delegates the determination of the status of offshore incorporated PRC resident enterprise to the provincial-level tax authorities. Bulletin 9 is applicable to the enterprise income tax filings for 2013 and onwards. Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC corporate groups and not those controlled by PRC individuals or non-PRC persons, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the *de facto* management body test should be applied in determining the tax residency status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises.

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There are currently no detailed rules or precedents governing the procedures and specific criteria for determining whether a given entity constitutes a *de facto* management body, and a final confirmation by the SAT as to the residency status of offshore enterprises is generally necessary. Despite the present uncertainties resulting from the limited PRC tax guidance on this issue, we do not believe that the legal entities organized outside of the PRC within our Group should be treated as PRC resident enterprises for EIT law purposes. If we were treated as a PRC resident enterprise, although under the EIT Law and the EIT Law Implementing Regulations dividends paid to us from our PRC subsidiaries should qualify as tax-exempt income, there is no assurance that we would enjoy such tax-exempt treatment on dividends paid to us from our PRC subsidiaries in the same manner as offshore incorporated PRC resident enterprises controlled by PRC enterprises or PRC corporate groups enjoy under Circular 82 and Bulletin 45. As a result, it is not certain that such dividends will not be subject to PRC withholding tax as the SAT and other PRC authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises controlled by PRC individuals and non-PRC persons, like us, for PRC enterprise income tax purposes. In addition, the EIT Law Implementation Regulations provide that, (1) if an enterprise that distributes dividends is domiciled in the PRC, or (2) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not yet clear how the term *domicile* will be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where an enterprise is a tax resident. As a result, if we were deemed to be a PRC tax resident enterprise, any dividends that we pay to our non-PRC shareholders or ADS holders which are non-PRC enterprises, as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs, may be regarded as PRC-sourced income and become subject to PRC withholding tax of 10%, unless a reduced rate is provided under applicable tax treaties.

The PRC withholding tax may be exempted or reduced by the State Council or pursuant to an applicable tax treaty with the PRC that provides for a different withholding agreement between the PRC and the jurisdictions in which the non-resident enterprise reside. The PRC has entered into tax treaties with Hong Kong and more than 90 countries, including the United States. Under such tax treaties, certain income, such as dividends, royalties, interest or capital gains derived in China by residents of the contracting country might be entitled to preferential treaty benefits, i.e., a lower withholding tax rate than the statutory rate, provided that the overseas enterprise receiving the income qualifies as a beneficial owner. The SAT issued the *Circular on How to Interpret and Recognize the Beneficial Owner in Tax Treaties* in October 2009, or Circular 601. According to Circular 601, the term *beneficial owner* refers to an individual, company or organization that has both ownership and right of control over the assets or rights generating a stream of income. An agent or a conduit company is not regarded as a beneficial owner. Local tax authorities are required to investigate whether an applicant satisfies the requirements to qualify as a beneficial owner, which is a prerequisite to enjoy the benefit of a reduced withholding tax on dividends, interest, royalties or capital gains under tax treaty provisions. If such non-resident enterprises cannot provide valid documents supporting their status as beneficiary owners under Circular 601, they will not be approved to enjoy tax treaty benefits.

In the event that we are treated as a PRC tax resident, dividends to be distributed by us to our non-PRC shareholders and ADSs holders whose jurisdictions have tax treaties with China providing for preferential withholding arrangements will not be entitled to the benefits under such withholding arrangements unless such holder is considered a beneficial owner under Circular 601.

Under the *PRC Individual Income Tax Law*, or IITL, if we are treated as a PRC resident enterprise, it is possible that non-resident individual investors of our shares or ADSs would be subject to PRC individual income tax at a rate of 20% on dividends paid to such investors and any capital gains realized from the transfer of our common shares and/or ADSs if such dividends or capital gains are deemed income derived from sources within the PRC, except in the case of individuals that qualify for a lower rate under a tax treaty. Under the PRC-U.S. tax treaty, a 10% preferential tax rate will apply to dividends provided that the recipients are U.S. tax residents that are eligible for the benefits of the PRC-U.S. tax treaty. A non-resident individual is an individual who has no domicile in the PRC and does not stay within the PRC or has stayed within the PRC for less than one year. Pursuant to the IITL and its implementation rules, the taxable gain from the transfer of our common shares or ADSs will be based on the total amount obtained minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income.

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See Item 3.D. Risk Factors – Risks Related to Doing Business in China – Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations.

In connection with the EIT Law, on April 30, 2009, the MOF and the SAT jointly issued the *Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*, or Circular 59, which is partially amended by *Notice of the Ministry of Finance and the State Administration of Taxation on Issues Relating to Handling Enterprise Income Tax in Promoting Enterprise Restructuring* (2014). On December 10, 2009, the SAT issued the *Notice on Strengthening the Management of the Enterprise Income Tax Collection of Proceeds from Equity Transfers by Non-resident Enterprises*, or Circular 698, which is partially revealed by *Announcement of State Administration of Taxation on Issues Relating to Application of Special Tax Treatment for Equity Transfer by Non-resident Enterprises(2013)* and *Announcement of the State Administration of Taxation on Several Issues Relating to Enterprise Income Tax on Transfer of Assets between Non-resident Enterprises (2015)*, which is partially amended by *Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (2017)*. Both Circular 59 and Circular 698 became effective retroactively as of January 1, 2008. Further, on July 26, 2010, the SAT issued the *Measures for the Enterprise Income Tax Administration of Enterprise Restructuring*, which became effective retroactively as of January 1, 2010 and partially revealed by *Announcement of the State Administration of Taxation on Several Issues Relating to Administration of Levying and Collection of Enterprise Income Tax on Restructuring of Enterprises (2015)* and *Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (2017)*. Subsequently, on February 3, 2015, the SAT issued *Announcement on Several Issues regarding the Indirect Assets Transfer by Non-resident Enterprises*, or Bulletin 7, which replaces certain provisions under Circular 698 and issues more detailed rules as to the tax administration over indirect transfers by non-resident enterprises. Bulletin 7 became effective as of February 3, 2015, although it has retroactive effect. On October 17, 2017, the SAT issued the *Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises*, or SAT Circular 37, to completely repeal Circular 698 and the second paragraph of Section 8 of Bulletin 7. By promulgating and implementing these regulations, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Under Bulletin 7, if a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise or other taxable PRC assets indirectly via disposing of the equity or other similar interests of an overseas holding company, or Indirect Transfer, and such Indirect Transfer lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax, such Indirect Transfer may be treated as direct transfer of equity interests in the PRC resident enterprise or other taxable PRC assets and as a result, any gain from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10% (or PRC enterprise income tax at the rate of 25% if the transferred asset relates to the asset of a permanent establishment in China). The payer of transfer proceeds under such an Indirect Transfer of equity interests in a PRC resident enterprise is obligated to withhold the aforesaid PRC withholding tax. If the payer fails to make such withholding, it may be subject to an administrative fine ranging from 50% to 300% of the amount of tax that was not withheld which may be reduced or exonerated in certain circumstances. Further, the transferor under Indirect Transfer must file and pay the withholding tax to the competent tax authority, or otherwise the tax authority may pursue the transferor for the unpaid withholding tax and impose a late payment interest. In addition, the PRC tax authorities have the discretion under Circular 698 to make reasonable tax adjustments if the equity transfer between non-resident and its related party is not deemed to have been conducted at arm's-length and results in a reduction of tax payments due. See Item 3.D. Risk Factors – Risks Related to Doing Business in China – The PRC tax authorities' enhanced scrutiny of PRC enterprise income tax on offshore equity transfers may have a negative impact on your investment in the ADSs.

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Value-Added Tax

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC*, promulgated by the State Council on December 13, 1993, as amended on November 10, 2008 and February 6, 2016 (effective on February 6, 2016), and the *Rules for Implementation of Provisional Regulations on Value-Added Tax of the PRC* promulgated by the Ministry of Finance on December 25, 1993, as amended on December 15, 2008 and on October 28, 2011, all entities and individuals engaged in selling goods, providing repair and placement services or importing goods into the PRC are generally subject to a value-added tax, or VAT, at a rate of 17% of the gross sales proceeds received (with the exception of certain goods subject to a rate of 13% or lower), less any VAT already paid or borne by the taxpayer on goods or services purchased and utilized in the production of goods or provision of services that have generated the gross sales proceeds.

On January 1, 2012, the MOF and the SAT launched a pilot VAT reform program, or Pilot Program, in Shanghai, applicable to businesses in selected industries. Such Pilot Program was implemented in Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang and Hubei between September and December 2012. Businesses in the Pilot Program would pay VAT instead of business tax. Starting from August 1, 2013, the Pilot Program was expanded to cover all regions in the PRC.

On March 23, 2016, the MOF and the SAT promulgated the *Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Tax in lieu of Business Tax*, or Circular 36, which became effective on May 1, 2016. In accordance with Circular 36, entities and individuals engaged in sales of services, intangible assets or real property within the territory of the PRC are value-added taxpayers, and are required to pay VAT instead of business tax.

Pursuant to Circular 36, medical services which are listed in the *Rules on National Medical Service Price Items* and are provided by medical institutions to patients at a price no higher than guiding prices (including government-guided prices and the prices determined by both the supplier and the demander through consultation) made by the competent price administrative agency and the local health bureau at the same administrative level, as well as health and epidemic prevention services provided by medical institutions to the public, are exempted from value-added tax.

C. ORGANIZATIONAL STRUCTURE

The following diagram illustrates our corporate structure, including our subsidiaries and consolidated affiliated entities as of March 31, 2018.

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- (1) iKang Healthcare Technology Group Co., Ltd. (formerly known as Shanghai iKang Guobin Holding Co., Ltd.), or iKang Holding, is our consolidated affiliated entity established in China, and each of Mr. Lee Ligang Zhang and Mr. Boquan He holds 50% of the equity interest in iKang Holding. Mr. Lee Ligang Zhang and Mr. Boquan He are directors of our company.
- (2) Hangzhou iKang Guobin Clinic Co., Ltd., or iKang Hangzhou Xixi, is our consolidated affiliated entity established in China, and iKang Holding and Yalong Daoyi hold 80% and 20% of the equity interest in iKang Hangzhou Xixi, respectively.

- (3) Shanghai Yuanhua Information Technology Co., Ltd., or Yuanhua Information, is our consolidated affiliated entity established in China, and Mr. Haiqing Hu and Ms. Juan Tan hold 80% and 20% of the equity interest in Yuanhua Information, respectively.
- (4) Jiandatong Health Technology (Beijing) Co., Ltd., or Beijing Jiandatong, is our consolidated affiliated entity established in China, and Mr. Haiqing Hu and Mr. Rui Ma hold 80% and 20% of the equity interest in Beijing Jiandatong, respectively.
- (5) Formerly known as Beijing iKang Online Technology Co., Ltd., or iKang Online.
- (6) Formerly known as Shanghai iKang Guobin Holding Co., Ltd., or iKang Holding.
- (7) Formerly known as Beijing iKang Guobin Health Technology Co., Ltd.

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As of March 31, 2018, we operated our businesses through the following significant subsidiaries and affiliated PRC entities. For a complete list of subsidiaries, affiliated entities and subsidiaries of our affiliated PRC entities, see Exhibit 8.1.

Major Subsidiaries	Percentage of Ownership	Place of Incorporation
iKang Guobin Healthcare Group, Inc.	100%	British Virgin Islands
iKang Zhejiang, Inc.	72.58%	British Virgin Islands
iKang MRI Center, Inc.	70%	British Virgin Islands
iKang mHealth, Inc.	70%	British Virgin Islands
Yuanhua Healthcare Limited	100%	Hong Kong
MediFast (Hong Kong) Limited	80%	Hong Kong
Bayley & Jackson (China) Medical Services Limited	100%	Hong Kong
iKang Health Cloud Technology Limited	100%	Hong Kong
WA Centers HK Limited	70%	Hong Kong
iKang MRI Center, Limited	70%	Hong Kong
Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd.	100%	China
Shanghai iKang Co., Ltd.	100%	China
ShanghaiMed iKang, Inc.	100%	China
iKang Health Management (Zhejiang) Co., Ltd.	72.58%	China
Beijing Bayley & Jackson Clinic Co., Ltd.	100%(1)	China
iKang (Shanghai) Financing Lease Co., Ltd.	100%	China
iKang Health Cloud (Beijing) Software Co., Ltd.	100%	China
iKang Healthcare Technology Group Co., Ltd.	100%	China
Hangzhou iKang Guobin Clinic Co., Ltd.	72.58%	China
Shanghai Yuanhua Information Technology Co., Ltd.	100%	China
Jiandatong Health Technology (Beijing) Co., Ltd.	80%	China

(1) 30% equity of Beijing Bayley & Jackson Clinic Co., Ltd. is held by iKang Online which is wholly owned by iKang Holding.

Affiliated Entities	Place of Incorporation
iKang Healthcare Technology Group Co., Ltd.(1)	China
Hangzhou iKang Guobin Clinic Co., Ltd.	China
Shanghai Yuanhua Information Technology Co., Ltd.	China
Jiandatong Health Technology (Beijing) Co., Ltd.	China

(1) Formerly known as Shanghai iKang Guobin Holding Co., Ltd. and its name was changed in November 2014.

Contractual Arrangements

The following is a summary of the key agreements currently in effect among our PRC subsidiaries (Beijing iKang, Zhejiang iKang and Yuanhua WFOE), our affiliated PRC entities (iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong) and the respective shareholders of our affiliated PRC entities that transfer the economic benefits of our affiliated PRC entities to us:

Exclusive Business Cooperation Agreement. Each of our PRC subsidiaries referred to above has entered into an exclusive business cooperation agreement with the relevant affiliated PRC entity. Under each agreement, the affiliated PRC entity agrees to engage the PRC subsidiary as its exclusive provider of technology and consulting services in connection with investments in healthcare, medicine and medical equipment. Each of iKang Holding, iKang Hangzhou Xixi and Yuanhua Information will pay to the PRC subsidiary service and consulting fees determined by Beijing iKang, Zhejiang iKang and Yuanhua WFOE, respectively, up to the entire net profit of the relevant affiliated PRC entity. Beijing Jiandatong will pay to Beijing iKang service and consulting fees determined by Beijing iKang, up to the 80% of Beijing Jiandatong's net profit. The remaining 20% of Beijing Jiandatong's net profit is obligated to Mr. Rui Ma, the other shareholder of Beijing Jiandatong who is not a person designated by us. Our PRC subsidiary will exclusively own any intellectual property arising from the performance of the agreement. Each agreement is for a term of 10 years. The agreement between Beijing iKang and iKang Holding will expire on April 26, 2027 (as extended in April 2017), the agreement between Zhejiang iKang and iKang Hangzhou Xixi will expire on January 11, 2021, the agreement between Yuanhua WFOE and Yuanhua Information will expire on March 16, 2027, and the agreement between Beijing iKang and Beijing Jiandatong will expire on December 29, 2023, and all are renewable upon the relevant PRC subsidiary's request. Our PRC subsidiary may terminate the agreement at any time by providing 30 days advance written notice to the affiliated PRC entity. The affiliated PRC entity may not terminate the agreement.

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Share Pledge Agreement. The shareholders of each of iKang Holding, iKang Hangzhou Xixi and Yuanhua Information entered into a share pledge agreement with the relevant PRC subsidiary. Mr. Haiqing Hu, one of Beijing Jiandatong's shareholders who holds a 80% equity interest in Beijing Jiandatong, entered into a share pledge agreement with Beijing iKang and Beijing Jiandatong. The remaining 20% equity interest in Beijing Jiandatong is held by Mr. Rui Ma, who is not a shareholder designated by us, and is therefore not pledged for the benefit of Beijing iKang. Under each share pledge agreement, the shareholders, who entered into the share pledge agreements have pledged all of their equity interests in the affiliated PRC entity to the relevant PRC subsidiary as collateral for all of the affiliated PRC entity's payments due to the PRC subsidiary and to secure performance of all obligations of the affiliated PRC entity and its shareholders under the above exclusive business cooperation agreement. The pledge shall remain effective until all obligations secured under such pledge have been fully performed. The dividend or profit distribution that the affiliated PRC entity declares or makes during the term of the pledge shall be directly paid to the PRC subsidiary. Without the PRC subsidiary's prior written consent, neither shareholder, who entered into the share pledge agreements may transfer any equity interests in the respective affiliated PRC entities. If any event of default as provided for therein occurs, including non-payment under the exclusive business cooperation agreement, the PRC subsidiary, as the pledgee, will be entitled to require the shareholders, who entered into the share pledge agreements of the affiliated PRC entity, who entered into the share pledge agreements to dispose of the pledged equity interests.

Power of Attorney. Each shareholder of iKang Holding, iKang Hangzhou Xixi and Yuanhua Information and Mr. Haiqing Hu, who holds a 80% equity interest in Beijing Jiandatong executed an irrevocable power of attorney to appoint the PRC subsidiary as his or its attorney-in-fact to act on his or its behalf on all matters pertaining to the affiliated PRC entity and to exercise all of his or its rights as a shareholder of the affiliated PRC entity, including the right to attend shareholders meetings, to exercise voting rights, to receive any dividend and profit distribution to shareholders and to appoint directors, a general manager and other senior management of the affiliated PRC entity. The power of attorney is irrevocable and continually valid as long as the principal is the shareholder of the affiliated PRC entity.

Exclusive Call Option Agreement. Each of iKang Holding, iKang Hangzhou Xixi and Yuanhua Information and their shareholders, as well as Beijing Jiandatong and Mr. Haiqing Hu, entered into an exclusive call option agreement with the relevant PRC subsidiary. Pursuant to the agreement, the PRC subsidiary and any third party designated by it have the exclusive right to purchase from the shareholders of the affiliated PRC entity all or any part of their equity interests in the affiliated PRC entity at a purchase price equal to the lowest price permissible by the then-applicable PRC laws and regulations. The shareholders of the affiliated PRC entity shall immediately transfer the purchase price they receive from the PRC subsidiary to the affiliated PRC entity when the PRC subsidiary exercises the call option. Moreover, neither the affiliated PRC entity nor its shareholders may take actions that could materially affect the affiliated PRC entity's assets, liabilities, operation, equity and other legal rights without the prior written approval of the PRC subsidiary, including, without limitation, sale, assignment, mortgage or disposition of, or encumbrances on, the affiliated PRC entity's assets, business or revenues; creation, assumption, guarantee or incurrence of any indebtedness except those incurred not in a form of borrowing during the ordinary business; merger or consolidation; acquisition of and investment in any third-party entities; entering into other material contracts and declaration and distribution of dividend and profit. Each agreement is for an initial term of 10 years. The agreement among Beijing iKang, iKang Holding and iKang Holding's shareholders was supposed to expire on March 16, 2018, but the parties decided to extend the agreement for another ten years pursuant to the Agreement Extension Notice executed on

March 22, 2018, the agreement among Zhejiang iKang, iKang Hangzhou Xixi and iKang Hangzhou Xixi's shareholders will expire on January 11, 2021, the agreement among Yuanhua WFOE, Yuanhua Information and Yuanhua Information's shareholders will expire on March 16, 2027, and the agreement among Beijing iKang, Beijing Jiandatong and Mr. Haiqing Hu will expire on December 29, 2023. All these agreements are renewable upon the relevant PRC subsidiary's request.

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Spousal Consent Letters. Spouses of Mr. Lee Ligang Zhang and Mr. Boquan He, the shareholders of iKang Holding, executed spousal consent letters, acknowledging that a certain percentage of the equity interest in the affiliated PRC entities held by their spouses will be disposed of pursuant to the above contractual arrangements and waiving their rights and benefits over such equity interests as spouses of shareholders of iKang Holding.

In the opinion of our PRC legal counsel, King & Wood Mallesons Lawyers, the ownership structure and the contractual arrangements described above are not in violation of current PRC laws, rules and regulations and each contract under the contractual arrangements is valid, binding and enforceable under current PRC laws. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations; accordingly, PRC regulatory authorities may ultimately take a view that is contrary to the opinion of King & Wood Mallesons Lawyers. See Item 3.D. Risk Factors Risks Related to Our Corporate Structure.

D. PROPERTY, PLANT AND EQUIPMENT

We currently lease all of the properties we use to operate our business. We lease all of our self-owned medical centers and separate offices for our subsidiaries from third parties under lease agreements with a range of lease periods.

Our principal headquarters are located at Shimao Tower B-6F, 92A Jianguo Road, Chaoyang District, Beijing 100022, China. We occupy and use this office space with a gross floor area of approximately 2,551 square meters, pursuant to a lease agreement entered into on April 1, 2013 and expiring on March 31, 2019.

Item 4A. UNRESOLVED STAFF COMMENTS

None.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 3.D. Risk Factors or in other parts of this annual report on Form 20-F.

A. OPERATING RESULTS

Key Factors Affecting Our Results of Operations

Our financial condition and results of operations are mainly affected by the following factors:

Our Customer Base

We generate a substantial majority of our revenues from our corporate customers. In fiscal 2015, 2016 and 2017, we derived 83.6%, 83.6% and 81.2% of our net revenues, respectively, from our corporate customers. Our corporate customers consisted of multinational corporations, private enterprises, government agencies and state-owned enterprises. The number of our corporate customers increased from approximately 30,900 in fiscal 2015 to approximately 36,400 in fiscal 2016, and further to approximately 41,100 in fiscal 2017. The growth in our net revenues has been primarily driven by the increase in the number of corporate customers, which in turn increases the number of people who use our medical examination and disease screening services. As corporate customers have represented a steady and increasing inflow of business in the past, we will continue to focus our marketing efforts on increasing our corporate customers and expect that corporate customers will continue to account for a significant majority of our revenues for the foreseeable future.

Net revenues from our individual customers accounted for 16.4%, 16.4% and 18.8% of our net revenues in fiscal 2015, 2016 and 2017, respectively. We offer our individual customers comprehensive healthcare services, including medical examinations, disease screening, dental and vaccine services and other health management services. We view individual customers as an important long-term growth driver and plan to continue to grow our individual customer base.

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Our ability to maintain or increase revenue depends, to a large extent, on the size of our nationwide network of self-owned medical centers. In fiscal 2015, 2016 and 2017, we derived 94.6%, 95.6% and 97.0% of net revenues from our self-owned medical centers, respectively. As a result, whether we can successfully expand our network of self-owned medical centers in response to our customers' demand is one of the most important factors affecting our results of operations.

The table below shows the number of our self-owned medical centers in operation throughout the period indicated and the number of our newly opened or acquired centers during each period.

	For the years ended March 31,		
	2016	2017	2018
Medical centers at the beginning of the period	58	86	107
Newly constructed medical centers during the period	6	19	8
Newly acquired medical centers during the period	22	2	2
Minus: closed or sold medical centers during the period			7
Medical centers at the end of the period	86	107	110

The expansion of our self-owned medical center network has been driven by developing new medical centers through construction and acquisition. Each additional self-owned medical center increases the number of customer visits in our network and contributes to our continued revenue growth. However, new medical centers developed through construction or acquisition generally involve a ramp-up period during which the operating efficiency of those medical centers may be lower than that of our established medical centers, which may negatively affect our profitability. Our self-owned medical centers grew to 110 as of March 31, 2018 from 107 as of March 31, 2017. Out of the eight self-owned medical centers that were added to our medical center network in fiscal 2017, two medical centers were acquired and together contributed 2.1% of our net revenues in fiscal 2017.

Our decision to expand our self-owned medical center network is primarily based on our assessment and estimate of demand for our corporate customer services and number of corporate customers. In addition, when we open additional medical centers in a city in which we already have presence, we can leverage our existing sales force, laboratories and technical support in that city and therefore increase the profitability of our local medical centers as a result of economies of scale. When we open a new medical center in a region that is already served by existing medical centers, this increases our service capacity in that region and provides more choices for corporate customers. Some existing corporate customers will choose to be serviced at the newly opened center based on convenient location or other factors. In addition, the sales and marketing team for that region will often refer and encourage existing corporate customers to use the services at the newly opened medical center primarily based on the capacity and utilization of each medical center in this region. These factors often affect the number of customer visits at our existing and new medical centers which in turn influence the revenues generated by each center.

We plan to continue to grow our network of self-owned medical centers, which will enable us to enlarge our nationwide coverage, penetrating cities where we do not have presence currently and enhancing our market position where we already operate in. Our planned acquisitions will also result in demands being placed on our managerial, operational, technological, financial and other resources. See Item 3.D. Risk Factors Risks Related to Our Business. We may not realize the anticipated benefits of our past and potential future investments or acquisitions or be able to recruit or integrate any acquired employees, businesses or products, which in turn may negatively affect their performance and respective contributions to our results of operations.

Seasonality

Our results of operations are affected by seasonal factors. Our quarterly revenues and results of operations have fluctuated in the past and may continue to fluctuate significantly. We typically have lower revenues and may incur a net loss during the fourth quarter of a fiscal year primarily because our self-owned medical centers generally have lower numbers of customer visits and perform fewer medical examinations around the New Year and Chinese Lunar New Year holidays, which are typically in January or February of each year. Our relatively stronger performance in the third fiscal quarter has been largely due to the fact that many of our corporate customers arrange for their employees to conduct medical examinations in the third quarter of each fiscal year.

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On the other hand, our costs and expenses are less affected by seasonal factors, as a significant portion of such costs and expenses are fixed, except that we typically incur less cost of medical consumables in the fourth fiscal quarter due to the smaller number of people who use our services. As a result, our profitability in the fourth quarter of a fiscal year is typically affected the most by a combination of the lowest number of customer visits and the increase in the fixed costs and expenses associated with opening new medical centers as we expand our network. In addition, our new medical centers developed through construction or acquisition generally involve a ramp-up period before they are able to reach expected sales and profit levels, thereby also affecting our overall profitability in the fourth quarter of a fiscal year. We expect such seasonal pattern of our results of operations to continue in the foreseeable future.

Utilization of Our Self-Owned Medical Centers

Utilization of our self-owned medical centers are primarily affected by the number of people we can serve on a nationwide basis, which is subject to a capacity limit depending on the space, equipment and the number of doctors and nurses at each medical center, and on the number of individuals who use our self-owned medical centers.

To ensure accuracy of testing results, certain medical examinations can only be scheduled during limited hours in the morning, and thus limiting the number of people we can serve on a daily basis. We need to manage the number of people coming for our medical examination services each day to maintain service and quality standards and to ensure a good customer experience. Our typical medical center has a capacity limit of 350 people per day depending on the space of the center, the number of medical staff including doctors and nurses and the amount of equipment, such as ultrasound and x-ray machines. The capacity of our medical centers serving our high-end customers is smaller due to the exclusive nature of the customer experience.

Cooperative Arrangements with Third-Party Service Providers

A portion of our total net revenues is derived from services performed by third-party service providers to our customers under cooperative arrangements between us and third-party service providers in cities where we do not have self-owned medical centers. In fiscal 2015, 2016 and 2017, 5.4%, 4.4% and 3.0% of our net revenues were attributable to services performed by third-party service providers, respectively.

The fees that we pay to third-party service providers are calculated based on the number of medical examinations they perform for our customers. In negotiations with third-party service providers as to the fees we pay them, we consider factors such as:

- the overall fees we charge to our corporate customers requiring nationwide services;
- the types of tests in the medical examination package; and

- the local market price for medical examination services.

Costs of Medical Consumables and Outsourced Services

Medical consumables, including reagents, testing instruments and other consumables used in medical tests and treatment, and costs for outsourced services, including medical tests conducted by qualified third-party laboratories and medical institutions and other services performed by third-party service providers to our customers, have been the largest component of our cost of revenues, representing 36.2%, 34.7% and 35.0% of our cost of revenues in fiscal 2015, 2016 and 2017, respectively. We have set up a centralized purchasing system in each city in which we operate our self-owned medical centers with our main suppliers of general medical consumables and in particular for reagents which are relatively expensive. Such centralized purchasing systems enable us to obtain more favorable pricing if we purchase a certain amount of medical consumables from a supplier within a given period of time.

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Critical Accounting Policies and Estimates

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue Recognition

We provide medical examination services, disease screening services, dental care services and other services to both individual and corporate customers, and we recognize revenues when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, services are performed and received by the customer, the amount of fees from the customer is fixed or determinable, and collectability is reasonably assured.

Medical Examination and Disease Screening

We offer medical examination and disease screening services and we render such services at the request of our customers when they visit our facilities. We recognize revenues when the examination reports are issued and passed to the local couriers if hard copy reports are required by our customers, or when the examination reports are uploaded online and can be viewed by the customers online if hard copy reports are not required. We notify our customers when their examination reports are delivered to the local couriers or ready to be viewed and downloaded online. Approximately 90% of our corporate customers are located in the same city as our medical centers. A substantial portion of such corporate customers can receive the report package with same day of delivery, while a small number of such corporate customers receive the examination reports on the following day. For corporate customers which are located in different cities from where our medical centers are located (representing approximately 10% of the total number of corporate customers), the delivery of the examination reports will generally take no more than three business days. Corporate customers usually prepay a portion of the service fees upon signing of the contract and fulfill the remaining payment obligations based on the number of services consumed by their employees. We record accounts receivables from our corporate customers when the examination reports have been delivered to employees of the corporate customers but we have not receive payments from such corporate customers.

For individual customers, we recognize revenues when the examination reports are issued and available for pick-up or to be reviewed online as we are not contractually obligated to physically deliver written examination reports to individual customers. We typically collect fees before performing medical examination and disease screening services.

Third-Party Service Providers

We engage third-party providers to provide medical examination and disease screening services on behalf of us. We evaluate the services provided by the third parties to determine whether to recognize the revenues on a gross or net basis. The determination is based upon an assessment as to whether we act as a principal or an agent when providing the services. All of the revenues involving third-party service providers providing medical examination on behalf of us are accounted for on a gross basis since we are the primary obligor, possess the latitude in establishing prices, have the discretion to select the third-party service providers and take the credit risks.

Dental Care Services

We provide dental care services to our customers. We recognize revenue from dental services when the service is rendered and the service fee is collectable.

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Other Services

We provide healthcare packages of bundled services principally comprising a combination of medical examination, disease screening and other services to our corporate customers. The healthcare package normally expires within one year from the date of purchase and does not include right of return.

We allocate revenues from the sale of bundled services to each of the revenue streams discussed above using the relative selling price of each component service based on our best estimate. Revenue recognition criteria with respect to each component service included in the bundled services is identical to as if the component services are sold on a standalone basis.

Consolidation of Variable Interest Entities

Foreign ownership of healthcare and Internet-based businesses in China is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates these industries through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership in PRC companies that operate healthcare and Internet-based businesses. Specifically, foreign investment in Internet-based businesses is categorized as restricted and foreign investors are not allowed to own more than a 50% equity interest in an entity conducting an Internet-based business pursuant to the *Administrative Rules for Foreign Investment in Telecommunication Enterprises*. Also, foreign investment in the healthcare industry was categorized as restricted and foreign investors were not allowed to own more than a 70% equity interest in an entity conducting a healthcare-based business pursuant to the *Interim Measures for Administration of Sino-foreign Joint Venture and Cooperative Medical Institutions* which took effect in July 2000. In addition, the *Interim Measures for Administration of Sino-foreign Joint Venture and Cooperative Medical Institutions* also set certain qualification requirements for foreign investors, such as requiring such investors possession of and investment and operation experience in the medical sector. Although an amendment in December 2011 to the *Catalog of Industries for Guiding Foreign Investment* recategorized foreign investment in the healthcare sector from restricted to permitted and various other subsequent regulations and rules state that restrictions on foreign investment in the healthcare sector should be lifted, restrictions on foreign investment in the healthcare sector still exist in practice, and the amendments have not been implemented at the provincial or municipal level in many cases and therefore many local governments continue to follow the previous rules and impose a 70% foreign ownership limit and foreign investor qualification requirements when approving and registering medical institutions. See Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Investment in the Value-Added Telecommunications Industry, and Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Investment in Our Industry. Therefore we still operated through our VIE entities. Beijing iKang, Zhejiang iKang and Yuanhua WFOE hold the power to direct the activities of the VIE entities that most significantly affect our economic performance and bear the economic risks and receive the economic benefits of the VIE entities through a series of contractual arrangements with iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong and/or their nominee shareholders, including:

- exclusive business cooperation agreement;

- exclusive call option agreement;
- share pledge agreement;
- powers of attorney; and
- spousal consent letter.

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We believe these contractual arrangements are currently legally enforceable under PRC laws and regulations. More specifically, we believe the terms of the exclusive call option agreements give us substantive kick-out rights so that we can have the power to control nominee shareholders of iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong and thus the power to direct the activities that most significantly impact the VIE entities' economic performance. Through these contractual agreements, we believe that the nominee shareholders of iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong do not have direct or indirect ability to make decisions regarding the activities of the VIE entities that could have a significant impact on the economic performance of the VIE entities because all of the voting rights of the nominee shareholders of iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong have been contractually transferred to Beijing iKang, Zhejiang iKang and Yuanhua WFOE, respectively. Therefore, we have effective control over the VIE entities. In addition, we believe that our ability to exercise effective control, together with the exclusive business cooperation agreements and the share pledge agreements, give us the rights to receive substantially all, or in the case of Beijing Jiandatong, a majority of the economic benefits from the VIE entities. Hence, we believe that the nominee shareholders of iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong do not have the rights to receive the expected residual returns of those VIE entities, as such rights have been transferred to Beijing iKang, Zhejiang iKang and Yuanhua WFOE. Therefore, we evaluated the rights we obtained through entering into these contractual arrangements and concluded we have the power to direct the activities that most significantly affect the VIE entities' economic performance and also have the rights to receive the economic benefits of the VIE entities that could be significant to the VIE entities. Accordingly, we are the primary beneficiary of the VIE entities and have consolidated the financial results of the VIE entities in our consolidated financial statements since the later of the date of acquisition and incorporation.

We believe that the possibilities are remote that any oversight or regulatory bodies in China would question the enforceability of the contractual arrangements with iKang Holding, iKang Hangzhou Xixi, Yuanhua Information and Beijing Jiandatong pursuant to the current PRC laws. The shareholders of iKang Holding are also our shareholders and therefore have no current interest in acting contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements and if the shareholders of iKang Holding were to reduce their shareholdings in our company, their interests may diverge from our interests, which may increase the risk that they would act contrary to the contractual arrangements, such as causing the VIE entities to not pay service fees under the contractual arrangements when required to do so. See Item 3.D. Risk Factors – Risks Related to Our Corporate Structure – If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with its restrictions on foreign investment in healthcare and Internet-related businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our economic benefits in the assets and operations of our affiliated PRC entities, – Risks Related to Our Corporate Structure – Substantial uncertainties exist with respect to the adoption of new or revised PRC laws relating to our corporate structure, corporate governance and business operations – and – Risks Related to Our Corporate Structure – Shareholders of iKang Holding, Yuanhua Information or Beijing Jiandatong, our affiliated PRC entities, may have a potential conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to the interest of our company.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts based on our estimate of actual losses based on our historical experience, the age and delinquency rates of the receivables and economic and regulatory conditions. Determining appropriate allowances is an inherently uncertain process and is subject to numerous estimates and judgments, and the ultimate losses may vary from the current estimates. Our corporate customers primarily consist of multinational corporations, state-owned enterprises and government agencies which generally present less risk in their creditworthiness. Our contracts with our corporate customers are usually renewable on an annual basis and we continue to assess the creditworthiness of our customers throughout the contract period. We periodically update our allowance estimates as new facts become known and events occur that may impact the settlement or recovery of losses. The allowances are maintained at a level that we believe appropriate to adequately provide for losses incurred at the balance sheet date.

In addition to specific provisions, we have established a general allowance for receivables that are six months or more overdue as follows:

- overdue more than 6 months but less than one year: 5%;
- overdue more than one year but less than 2 years: 20%; and
- overdue more than 2 years: 100%.

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We decide to write off an account receivable and the corresponding provision when events indicate that there is a remote chance that such account receivable can be collected, such as liquidation of a customer or termination of business cooperation.

The following tables set forth the aging of our accounts receivables and provisions we made as of March 31, 2017 and 2018.

Aging period	As of March 31, 2017				
	Gross Accounts Receivables	% of Total	General Reserve	Specific Reserve	Net Accounts Receivables
	(US\$ in thousands, except percentage)				
< 6 months	54,047	57.6%			54,047
6 months - 1 year	16,845	18.0%	(841)		16,004
1-2 years	11,906	12.7%	(2,381)		9,525
2-3 years	6,197	6.6%	(6,197)		
> 3 years	4,842	5.2%	(4,559)	(283)	
Total	93,837	100.0%	(13,978)	(283)	79,576

Aging period	As of March 31, 2018				
	Gross Accounts Receivables	% of Total	General Reserve	Specific Reserve	Net Accounts Receivables
	(US\$ in thousands, except percentage)				
< 6 months	113,379	65.8%			113,379
6 months - 1 year	21,781	12.6%	(1,107)		20,674
1-2 years	19,007	11.0%	(3,801)		15,206
2-3 years	8,803	5.1%	(8,803)		
> 3 years	9,431	5.5%	(9,431)		
Total	172,401	100%	(23,142)		149,259

There are no uniform credit terms with our customers. A 30% or more prepayment is required for a typical corporate customer contract. Small corporate customers with a single contract amount under RMB100,000 (US\$15,700) are required to settle the payment immediately after the services are provided while large corporate customers with a single contract amount of RMB100,000 (US\$15,700) or above may settle the payment on a monthly or quarterly basis, on top of the prepayment made upon signing of the contracts. Accounts receivable are collected at the joint efforts of sales representatives and accounting staff. Periodically, accounting staff provide sales representatives with detailed information, including the amount of accounts receivable, the number of individuals who received medical examination services and the unit price per person under the contract. Sales representatives confirm such information with the corporate customers, usually human resources staff who are responsible for the medical examination projects. Once our services under a contract are performed, the final contract amount will be settled within one to six months. For overdue accounts receivable from corporate customers due to their payment approval procedures or other reasons, we will consider their business reputation, financial condition, as well as their payment histories and may allow longer settlement period after our services are performed. Aside from specific provisions, we provide 5% general provisions to accounts receivable aging from six months to one year, 20% general provision from one year to two years and 100% general provision to accounts receivable aging beyond two years.

The length of the medical examination service period for corporate customers ranges from ten days to one year depending on the size of the contracts.

We target the days of sales outstanding to be between 60 days and 90 days. Fees for individual customers are collected before the performance of the services while fees for corporate customers are collected after the services are provided.

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Accounts receivable are written off only in rare cases when a corporate customer goes bankrupt or ceases operations.

Impairment of Goodwill and Intangible Assets

We review the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist, whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable at least annually.

Goodwill is tested for impairment at the reporting unit level on an annual basis (March 31 of each year) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the stock prices, business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimation of fair value of each reporting unit using a discounted cash flow methodology also requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rate for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

An intangible asset that is not subject to amortization is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Such impairment test is to compare the fair values of assets with their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. There are several methods that can be used to determine the fair value of the assets acquired and the liabilities assumed. For intangible assets, we typically use the discounted cash flow method. This method starts with a forecast of all of the expected future net cash flows associated with a particular intangible asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the discounted cash flow method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's economic life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives.

Intangible assets with determinable useful lives are amortized on a straight-line basis. We evaluate intangible assets with determinable useful life for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows the asset is expected to generate. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. In fiscal 2015, 2016 and 2017, no impairment losses of intangible assets were recognized.

The intangible assets included in our consolidated balance sheet as of March 31, 2017 and 2018 included trade name, operating license, customer relationship, contract backlog, favorable lease contract, and non-compete contract.

Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. The judgments made in determining an estimate of fair value can materially impact our results of operations. The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

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Impairment of Property, Equipment and Other Long-lived Assets

We utilize significant amounts of property and equipment in providing services to our customers. We use straight-line depreciation for property, equipment, and leasehold improvements over their respective estimated useful lives. Changes in technology or changes in the intended use of property and equipment may cause the estimated useful life or the value of these assets to change. We periodically review the appropriateness of the estimated economic useful lives for each category of property and equipment.

Periodically we assess potential impairment of our property and equipment. We perform an impairment review whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Factors we consider important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of our use of the acquired assets or our overall business strategy, and significant industry or economic trends. When we determine that the carrying value of a long-lived asset or asset group may not be recoverable based upon the existence of one or more of the above indicators, we determine the recoverability by comparing the carrying amount of the asset or asset group to estimated undiscounted future cash flows that the asset is expected to generate. We recognize an impairment loss equal to the amount by which the carrying amount exceeds the fair market value of the asset.

Income Taxes

In preparing our consolidated financial statements, we must estimate our income taxes in each of the jurisdictions in which we operate. We estimate our actual tax exposure and assess temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we include in our consolidated balance sheet. We must then assess the likelihood that we will recover our deferred tax assets from future taxable income. If we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance, we must include an expense within the tax provision in our consolidated statement of operations.

Management must exercise significant judgment to determine our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We base the valuation allowance on our estimates of taxable income in each jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

U.S. GAAP requires that an entity recognize the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. If we ultimately determine that payment of these liabilities will be unnecessary, we will reverse the liability and recognize a tax benefit during that period. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than the expected ultimate assessment. We did not recognize any significant unrecognized tax benefits during the periods presented in this annual report.

Uncertainties exist with respect to the application of the EIT Law, and its implementing rules to our operations, specifically with respect to our tax residency status. The EIT Law specifies that legal entities organized outside of the PRC will be considered PRC resident enterprises for PRC

income tax purposes if their *de facto* management bodies are located within the PRC. Circular 82 and Bulletin 45 issued by the SAT set forth the definition of *de facto* management body and provide the guidance for determining the tax residency status of a Chinese controlled offshore incorporated enterprise. Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC corporate groups and not those controlled by PRC individuals, the determination criteria set forth in Circular 82 may reflect the SAT's general position on how the *de facto* management body test should be applied in determining the tax residency status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises. Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises under the EIT Law. If one or more of our legal entities organized outside of the PRC were characterized as PRC resident enterprises, it would adversely affect our results of operations. See Item 3.D. Risk Factors Risks Related to Doing Business in China Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations.

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Share-Based Compensation

Our share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument we issued and recognized as compensation expense over the requisite service period based on the straight-line method, with a corresponding impact reflected in additional paid-in capital.

In determining the value of share options, we have used the binomial option pricing model, with assistance from an independent third-party valuation firm. Under this option pricing model, certain assumptions, including the risk-free interest rate, the contractual term of the options, the expected dividends on the underlying common shares, and the expected volatility of the price of the underlying shares for the contractual term of the options are required in order to determine the fair value of our options. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognize in our consolidated financial statements.

Business Acquisitions

Business acquisitions are recorded using the acquisition method of accounting. The purchase price of an acquisition is allocated to the tangible assets, liabilities, and identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill.

Acquisition-related expenses and restructuring costs are expensed as incurred. Where the consideration in an acquisition includes contingent consideration and the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and, if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings.

Long-term Investments

Our long-term investments consist of cost method investments, equity method investments and available-for-sale investments.

Cost-method Investments

For equity investments that are not considered as equity securities that have readily determinable fair values and over which we have neither significant influence nor control through investment in common stock or in-substance common stock, the cost method is used.

Under the cost method, we carry the investment at cost and recognize income to the extent of dividends received from the distribution of the equity investee's post-acquisition profits.

Equity-method Investments

We apply the equity method to account for an equity investment in common stock or in-substance common stock over which we have significant influence but do not own a majority equity interest or otherwise control. Significant influence is generally considered to exist when we have an ownership interest in the voting stock of the investee between 20% and 50%, and other factors, such as representation on the investee's board of directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

Under the equity method, we initially record our investment at cost and subsequently adjust the carrying amount of the investment to recognize our proportionate share of each equity investee's net income or loss into earnings after the date of investment.

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We continually review our investments in equity investees to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors that we consider in our determination are the length of time that the fair value of the investment is below our carrying value; the financial condition, operating performance and the prospects of the equity investee; and other specific information such as recent financing rounds. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity investee is written down to fair value. We estimate the fair value of these investee companies based on discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long-term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital.

Available-for-sale Investments

Investments in investees' equity interests that are determined to be available-for-sale investments are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income.

Results of Operations

The following table sets forth a summary of our consolidated results of operations, both in absolute amounts and as a percentage of our net revenues for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. Our limited operating history makes it difficult to predict our future operating results. We believe that the period-to-period comparison of operating results should not be relied upon as being indicative of our future performance.

	2016		For the years ended March 31, 2017		2018	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	(U.S. dollars in thousands, except percentages)					
Net revenues	370,812	100.0	435,713	100.0	563,932	100.0
Cost of revenues	210,909	56.9	262,134	60.2	325,656	57.7
Gross profit	159,903	43.1	173,579	39.8	238,276	42.3
Operating expenses:						
Selling and marketing expenses	64,763	17.5	74,304	17.1	96,594	17.1
General and administrative expenses	65,422	17.6	82,783	19.0	126,255	22.4
Research and development expenses	3,716	1.0	3,194	0.7	3,055	0.5
Income from operations	26,002	7.0	13,298	3.1	12,372	2.2
Loss from forward contracts						
Interest expense	(4,603)	1.2	(13,880)	3.2	(20,191)	3.6
Interest income	785	0.2	939	0.2	382	0.1
Other income	1,874	0.5				
Income/(loss) before provision for income taxes and gain/(loss) from equity method investments	24,058	6.5	357	0.1	(7,437)	1.3

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Income tax expenses	5,838	1.6	3,354	0.8	6,791	1.2
Income/(loss) before gain/(loss) from equity method investments	18,220	4.9	(2,997)	0.7	(14,228)	2.5
Gain/(loss) from equity method investments	(1,732)	0.5	(9,547)	2.2	(2,448)	0.4
Net income/(loss)	16,488	4.4	(12,544)	2.9	(16,676)	3.0
Less: Net income/(loss) attributable to non-controlling interest	(1,837)	0.5	(1,293)	0.3	633	0.1
Net income/(loss) attributable to iKang Healthcare Group, Inc.	18,325	4.9	(11,251)	2.6	(17,309)	3.1

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Year Ended March 31, 2018 Compared to Year Ended March 31, 2017

Net Revenues. Net revenues increased 29.4% to US\$563.9 million in fiscal 2017 from US\$435.7 million in fiscal 2016. This increase was primarily due to increases in revenues from our medical examination services, disease screening and dental care services.

- Net revenues from medical examination services increased 25.2% to US\$451.0 million in fiscal 2017 from US\$360.4 million in fiscal 2016. This increase was primarily due to a 15.8% increase in the number of customer visits for medical examinations, reflecting increases in the number of both corporate customers and individual customers as a result of our sales efforts and expanded service capacity in more cities in China. The aggregate number of people who used our medical examination services increased to approximately 6,047,000 in fiscal 2017 from approximately 5,224,000 in fiscal 2016. The overall average price for our medical examination services slightly increased to RMB493 (equivalent to US\$74) per person for fiscal 2017 compared to RMB464 (equivalent to US\$69) per person for fiscal 2016.
- Net revenues from disease screening services increased 58.0% to US\$55.2 million in fiscal 2017 from US\$35.0 million in fiscal 2016, primarily due to (1) a 46.6% increase in the number of people who used our disease screening services, reflecting customers' growing health awareness which resulted in their selections to take additional tests for certain diseases other than the basic medical examination items, and (2) our increased sales efforts to develop our disease screening business. The number of people who used our disease screening services increased to approximately 1,427,000 in fiscal 2017 from approximately 974,000 in fiscal 2016.
- Net revenues from dental care services increased 100.3% to US\$17.3 million in fiscal 2017 from US\$8.6 million in fiscal 2016, primarily due to (1) an increase in the number of customers who used our dental care services as a result of enhanced brand awareness of our services, and (2) the increased number of our self-owned medical centers providing dental care services.
- Net revenues from other services increased 27.2% to US\$40.4 million in fiscal 2017 from US\$31.7 million in fiscal 2016, primarily due to increases in net revenues from our outpatient services and medical consultancy services attributable to our continued efforts to promote these services.

Cost of Revenues. Cost of revenues increased 24.2% to US\$325.7 million in fiscal 2017 from US\$262.1 million in fiscal 2016. Cost of revenues as a percentage of our net revenues increased to 57.7% in fiscal 2017 from 60.2% in fiscal 2016.

- *Medical Consumables and Outsourced Services.* Cost of revenues relating to medical consumables and outsourced services increased 25.3% to US\$113.9 million in fiscal 2017 from US\$90.9 million in fiscal 2016, primarily due to the continued growth of our medical examination and disease screening businesses and the rapid growth in our dental care business. Cost of revenues relating to medical consumables and outsourced services as a percentage of our net revenues slightly decreased to 20.2% in fiscal 2017 from 20.9% in fiscal 2016.
- *Salaries and Benefits.* Cost of revenues relating to salaries and benefits increased 26.5% to US\$105.7 million in fiscal 2017 from US\$83.5 million in fiscal 2016, primarily due to (1) an increase in the number of doctors and nurses as the number of our medical centers increased to 110 as of March 31, 2018 from 107 as of March 31, 2017, and (2) an increase in the salaries and benefits provided to doctors and nurses. Cost of revenues relating to salaries and benefits as a percentage of our net revenues decreased to 18.7% in fiscal 2017 from 19.2% in fiscal 2016.
- *Rental and Office Expenses.* Rental and office expenses increased 19.6% to US\$76.7 million in fiscal 2017 from US\$64.1 million in fiscal 2016, primarily due to the increase in the number of our self-owned medical centers to 110 as of March 31, 2018 from 107 as of March 31, 2017. Cost of revenues relating to rental and office expenses as a percentage of our net revenues decreased to 13.6% in fiscal 2017 from 14.7% in fiscal 2016.
- *Depreciation and Amortization.* Depreciation and amortization cost increased 24.6% to US\$29.4 million in fiscal 2017 from US\$23.6 million in fiscal 2016, primarily due to our purchase of new medical equipment in fiscal 2016 for our new medical centers, dental care services, and to enhance the service capacity of our medical centers. Cost of revenues relating to depreciation and amortization as a percentage of our net revenues slightly decreased to 5.2% in fiscal 2017 from 5.4% in fiscal 2016.

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Gross Profit and Gross Margin. Gross profit increased 37.3% to US\$238.3 million in fiscal 2017 from US\$173.6 million in fiscal 2016. Gross margin increased to 42.3% in fiscal 2017 from 39.8% in fiscal 2016, primarily due to the relatively low gross margins achieved by the new medical centers in our network in fiscal 2016 as they were still in the ramp-up stage.

Operating Expenses. Total operating expenses increased 40.9% to US\$225.9 million in fiscal 2017 from US\$160.3 million in fiscal 2016. Operating expenses as a percentage of our net revenues increased to 40.0% in fiscal 2017 from 36.8% in fiscal 2016.

- *Selling and Marketing Expenses.* Selling and marketing expenses increased 30.0% to US\$96.6 million in fiscal 2017 from US\$74.3 million in fiscal 2016, primarily due to (1) a US\$10.9 million increase in salaries and employee benefits arising from increased headcount of our sales and marketing teams to enhance our sales efforts in new markets and increased performance-based salaries for our sales and marketing personnel; and (2) a US\$6.5 million increase in advertisement fee and travel expenses to expand new markets and enhance our sales. As a percentage of our net revenues, selling and marketing expenses accounted for 17.1% both in fiscal 2017 and in fiscal 2016.

- *General and Administrative Expenses.* General and administrative expenses increased 52.5% to US\$126.2 million in fiscal 2017 from US\$82.8 million in fiscal 2016, primarily due to a US\$41.1 million increase in salaries and employee benefits for arising from increased headcount of management personnel for new medical centers and the newly granted share-base payment compensation expenses in fiscal 2017. As a percentage of our net revenues, general and administrative expenses increased to 22.4% in fiscal 2017 from 19.0% in fiscal 2016.

- *Research and Development Expenses.* Research and development expenses decreased 4.4% to US\$3.1 million in fiscal 2017 from US\$3.2 million in fiscal 2016.

Interest Expense. Our interest expense significantly increased to US\$20.2 million in fiscal 2017 from US\$13.9 million in fiscal 2016, primarily due to the increases in our bank borrowings and other loans from financial institutions to support our business growth.

Interest Income. Our interest income decreased to US\$0.4 million in fiscal 2017 from US\$0.9 million in fiscal 2016.

Income Tax Expenses. Income tax expense increased 102.5% to US\$6.8 million in fiscal 2017 from US\$3.4 million in

fiscal 2016, primarily due to the increase in taxable income.

Loss from Equity Method Investments. Our loss from equity method investments decreased to US\$2.4 million in fiscal 2017 from US\$9.5 million in fiscal 2016, primarily because NCI Health in which we hold a 45% equity interest incurred less losses.

Net Loss. As a result of the foregoing, we had a net loss of US\$16.7 million in fiscal 2017 compared to net loss of US\$12.5 million in fiscal 2016.

Year Ended March 31, 2017 Compared to Year Ended March 31, 2016

Net Revenues. Net revenues increased 17.5% to US\$435.7 million in fiscal 2016 from US\$370.8 million in fiscal 2015. This increase was primarily due to increases in revenues from our medical examination services, disease screening and dental care services.

- Net revenues from medical examination services increased 17.0% to US\$360.4 million in fiscal 2016 from US\$308.1 million in fiscal 2015. This increase was primarily due to a 21.7% increase in the number of customer visits for medical examinations, reflecting increases in the number of both corporate customers and individual customers as a result of our sales efforts and expanded service capacity in more cities in China. The aggregate number of people who used our medical examination services increased to approximately 5,224,000 in fiscal 2016 from approximately 4,293,000 in fiscal 2015. The overall average price for our medical examination services slightly increased to RMB464 (equivalent to US\$69) per person for fiscal 2016 compared to RMB455 (equivalent to US\$72) per person for fiscal 2015.

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- Net revenues from disease screening services increased 29.0% to US\$35.0 million in fiscal 2016 from US\$27.1 million in fiscal 2015, primarily due to (1) a 53.9% increase in the number of people who used our disease screening services, reflecting customers' growing health awareness which resulted in their selections to take additional tests for certain diseases other than the basic medical examination items, and (2) our increased sales efforts to develop our disease screening business. The number of people who used our disease screening services increased to approximately 974,000 in fiscal 2016 from approximately 633,000 in fiscal 2015.

- Net revenues from dental care services increased 40.0% to US\$8.6 million in fiscal 2016 from US\$6.2 million in fiscal 2015, primarily due to (1) an increase in the number of customers who used our dental care services as a result of enhanced brand awareness of our services, and (2) the increased number of our self-owned medical centers providing dental care services.

- Net revenues from other services increased 7.7% to US\$31.7 million in fiscal 2016 from US\$29.5 million in fiscal 2015, primarily due to increases in net revenues from our vaccine services and medical consultancy services attributable to our continued efforts to promote these services.

Cost of Revenues. Cost of revenues increased 24.3% to US\$262.1 million in fiscal 2016 from US\$210.9 million in fiscal 2015. Cost of revenues as a percentage of our net revenues increased to 60.2% in fiscal 2016 from 56.9% in fiscal 2015.

- *Medical Consumables and Outsourced Services.* Cost of revenues relating to medical consumables and outsourced services increased 19.0% to US\$90.9 million in fiscal 2016 from US\$76.4 million in fiscal 2015, primarily due to the continued growth of our medical examination and disease screening businesses and the rapid growth in our dental care business. Cost of revenues relating to medical consumables and outsourced services as a percentage of our net revenues slightly increased to 20.9% in fiscal 2016 from 20.6% in fiscal 2015.

- *Salaries and Benefits.* Cost of revenues relating to salaries and benefits increased 24.7% to US\$83.5 million in fiscal 2016 from US\$67.0 million in fiscal 2015, primarily due to (1) an increase in the number of doctors and nurses as the number of our medical centers increased to 107 as of March 31, 2017 from 86 as of March 31, 2016, and (2) an increase in the salaries and benefits provided to doctors and nurses. Cost of revenues relating to salaries and benefits as a percentage of our net revenues increased to 19.2% in fiscal 2016 from 18.1% in fiscal 2015.

- *Rental and Office Expenses.* Rental and office expenses increased 28.4% to US\$64.1 million in fiscal 2016 from US\$49.9 million in fiscal 2015, primarily due to the increase in the number of our self-owned medical centers to 107 as of March 31, 2017 from 86 as of March 31, 2016. Cost of revenues relating to rental and office expenses as a

percentage of our net revenues increased to 14.7% in fiscal 2016 from 13.5% in fiscal 2015.

- *Depreciation and Amortization.* Depreciation and amortization cost increased 33.9% to US\$23.6 million in fiscal 2016 from US\$17.6 million in fiscal 2015, primarily due to our purchase of new medical equipment in fiscal 2016 for our new medical centers, dental care services, and to enhance the service capacity of our medical centers. Cost of revenues relating to depreciation and amortization as a percentage of our net revenues slightly increased to 5.4% in fiscal 2016 from 4.7% in fiscal 2015.

Gross Profit and Gross Margin. Gross profit increased 8.6% to US\$173.6 million in fiscal 2016 from US\$159.9 million in fiscal 2015. Gross margin decreased to 39.8% in fiscal 2016 from 43.1% in fiscal 2015, primarily due to the relatively low gross margins achieved by the new medical centers in our network in fiscal 2016 as they were still in the ramp-up stage.

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Operating Expenses. Total operating expenses increased 19.7% to US\$160.3 million in fiscal 2016 from US\$133.9 million in fiscal 2015. Operating expenses as a percentage of our net revenues increased to 36.8% in fiscal 2016 from 36.1% in fiscal 2015.

- *Sales and Marketing Expenses.* Sales and marketing expenses increased 14.7% to US\$74.3 million in fiscal 2016 from US\$64.8 million in fiscal 2015, primarily due to a US\$8.5 million increase in salaries and employee benefits arising from increased headcount of our sales and marketing teams to enhance our sales efforts in new markets and increased performance-based salaries for our sales and marketing personnel. As a percentage of our net revenues, sales and marketing expenses slightly decreased to 17.1% in fiscal 2016 from 17.5% in fiscal 2015.

- *General and Administrative Expenses.* General and administrative expenses increased 26.5% to US\$82.8 million in fiscal 2016 from US\$65.4 million in fiscal 2015, primarily due to (1) a US\$8.0 million increase in salaries and employee benefits for arising from increased headcount of management personnel for new medical centers, (2) a US\$4.4 million increase in our rental and general office expenses as a result of increases in rent of some of our medical centers and our office space in connection with our new medical centers, and (3) a US\$3.3 million increase in professional fees primarily attributable to the legal service fees in connection with the privatization transaction. As a percentage of our net revenues, general and administrative expenses increased to 19.0% in fiscal 2016 from 17.6% in fiscal 2015.

- *Research and Development Expenses.* Research and development expenses decreased 14.0% to US\$3.2 million in fiscal 2016 from US\$3.7 million in fiscal 2015.

Interest Expense. Our interest expense significantly increased to US\$13.9 million in fiscal 2016 from US\$4.6 million in fiscal 2015, primarily due to the increases in our bank borrowings and other loans from financial institutions to support our business growth. Our short-term borrowings increased to US\$111.3 million as of March 31, 2017 from US\$53.4 million as of March 31, 2016.

Interest Income. Our interest income increased to US\$0.9 million in fiscal 2016 from US\$0.8 million in fiscal 2015.

Income Tax Expenses. Income tax expense decreased 42.5% to US\$3.4 million in fiscal 2016 from US\$5.8 million in fiscal 2015, primarily due to the decrease in our profit. Our income before income tax expenses and loss from equity method investments decreased to US\$0.4 million in fiscal 2016 from US\$24.1 million in fiscal 2015.

Loss from Equity Method Investments. Our loss from equity method investments increased to US\$9.5 million in fiscal 2016 from US\$1.7 million in fiscal 2015, primarily because NCI Health in which we hold a 45% equity interest continued to incur losses.

Net Loss. As a result of the foregoing, we had a net loss of US\$12.5 million in fiscal 2016 compared to net income of US\$16.5 million in fiscal 2015.

B. LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have been cash generated from our operations, short-term borrowings and long-term borrowings. As of March 31, 2018, we had US\$62.9 million in cash and cash equivalents. Our cash and cash equivalents consist of cash on hand, bank deposits that are unrestricted as to withdrawal or use, and highly liquid investments with original stated maturities of 90 days or less.

As of March 31, 2016, 2017 and 2018, our total current liabilities amounted to US\$199.0 million, US\$287.2 million and US\$440.5 million, respectively. We had short-term borrowings of US\$53.4 million, US\$111.3 million and US\$196.5 million outstanding as of March 31, 2016, 2017 and 2018, respectively. As of March 31, 2016, 2017 and 2018, the outstanding balance of our long-term borrowings was US\$229.5 million, US\$101.7 million and US\$38.9 million respectively.

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In December 2015, iKang Healthcare Technology Group Co. Ltd., one of our affiliated PRC entities, entered into a series of convertible loan agreements with four third-party investors in an aggregate principal amount of RMB1.4 billion (equivalent to approximately US\$203.4 million). The original terms of these loan agreements range from 18 months to 36 months. We repaid RMB200 million (equivalent to approximately US\$29.1 million) and RMB350 million (equivalent to approximately US\$52.8 million) for these loans in fiscal 2016 and fiscal 2017, respectively, and entered into supplemental agreements with three lenders in January, July and December of 2017, respectively, to extend the term of the loan agreements with them to December 2018 or March 2019. If the privatization is completed before the maturity dates of these loans and the lenders choose to convert the loans into the future listing vehicle's shares, no interest will be charged while if the lenders choose not to convert the loans, the interest rate will be at 5% or 8%. Furthermore, if the privatization is not completed before the maturity dates of these loans, or we fail to use best efforts to facilitate the lenders to convert the loans into shares, the interest rate will be at 5% or 10%. Interest expense incurred for these convertible loans in fiscal 2017 was US\$17.3 million and the interest rates applicable to these loans in fiscal 2017 were 8% or 10%.

We have been able to meet our working capital needs, and we believe that we will be able to meet our working capital needs in the foreseeable future, with our existing cash balance, operating cash flow and borrowings.

Accounts receivable that were aged over one year as a percentage of our gross accounts receivable decreased to 21.6% as of March 31, 2018 compared to 24.5% as of March 31, 2017. Accounts receivable that were aged over one year accounted for 28.8% of our gross accounts receivable as of March 31, 2016. Days of sales outstanding slightly increased to 85 days in fiscal 2017 from 79 days in fiscal 2016 as we provided favorable payment terms to certain of our corporate customers based on our long-term relationship with them and their good credit history in past periods in order to maintain continuous business from these customers.

The following table sets forth a summary of our cash flows for the periods indicated.

	2016	For the years ended March 31, 2017 (U.S. dollars in thousands)	2018
Net cash generated from operating activities	43,602	50,043	23,005
Net cash used in investing activities	(261,533)	(32,011)	(34,783)
Net cash provided by/(used in) financing activities	237,465	(52,421)	4,504
Effect of exchange rate changes	(8,759)	(8,824)	5,277
Net increase/(decrease) in cash and cash equivalents	10,775	(43,213)	(1,997)
Cash and cash equivalents at the beginning of year	97,336	108,111	64,898
Cash and cash equivalents at the end of year	108,111	64,898	62,901

Operating Activities

Net cash generated from operating activities amounted to US\$23.0 million in fiscal 2017, which was primarily attributable to (1) an increase in accrued expenses and other current liabilities of US\$7.5 million primarily as a result of increases in interest expense payables and salaries payable to our employees, and (2) an increase in accounts payable of US\$8.6 million attributable to the increase in payables to suppliers and third-party service providers in line with the growth of our business, which was partially offset by (1) net loss of US\$16.7 million we incurred in fiscal 2017, and (2) an increase in accounts receivables of US\$65.8 million as a result of the increase in our revenues. This was positively adjusted for certain non-cash expense consisting primarily of (1) depreciation and amortization of US\$42.2 million, (2) Share-based compensation expenses of US\$34.8 million, (3) loss from equity method investments of US\$2.4 million, and (4) provision for doubtful account

of US\$7.3 million primarily due to the increase in accounts receivable.

Net cash generated from operating activities amounted to US\$50.0 million in fiscal 2016, which was primarily attributable to (1) an increase in accrued expenses and other current liabilities of US\$18.7 million primarily as a result of increases in interest expense payables and salaries payable to our employees, and (2) an increase in accounts payable of US\$9.3 million attributable to the increase in payables to suppliers and third-party service providers in line with the growth of our business, which was partially offset by (1) net loss of US\$12.5 million we incurred in fiscal 2016, and (2) an increase in accounts receivables of US\$16.3 million as a result of the increase in our revenues. This was positively adjusted for certain non-cash expense consisting primarily of (1) depreciation and amortization of US\$37.4 million, (2) loss from equity method investments of US\$9.5 million, and (3) provision for doubtful account of US\$6.1 million primarily due to the increase in accounts receivable.

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Net cash generated from operating activities amounted to US\$43.6 million in fiscal 2015, which was primarily attributable to (1) net income of US\$16.5 million, (2) an increase in deferred revenues of US\$23.9 million as a result of the increased advance payments from both our corporate customers and individual customers in line with the growth of revenues, and (3) an increase in accounts payable of US\$4.8 million attributable to the increase in payables to suppliers and third-party service providers in line with the growth of our business, which was partially offset by (1) an increase in accounts receivable of US\$22.6 million primarily because our businesses continued to grow and we provided certain corporate customers with longer contract terms, and (2) an increase in prepaid expenses and other current assets of US\$10.1 million attributable to the increase in prepaid rental expenses and advance payment to our suppliers to purchase consumables. This was positively adjusted for certain non-cash expense consisting primarily of (1) depreciation and amortization of US\$30.4 million, and (2) provision for doubtful account of US\$8.5 million primarily due to the increase in accounts receivable.

Investing Activities

Net cash used in investing activities amounted to US\$34.8 million in fiscal 2017, which was primarily attributable to property refurbishment and purchase of medical equipment as our self-owned medical centers continued to increase.

Net cash used in investing activities amounted to US\$32.0 million in fiscal 2016, which was primarily attributable to (1) property refurbishment and purchase of medical equipment in the amount of US\$63.4 million as our self-owned medical centers continued to increase, and (2) payment for business acquisitions and the long-term investments in fiscal 2016 in the amount of US\$7.8 million, which was partially offset by a decrease in restricted cash and term deposits in the amount of US\$37.8 million.

Net cash used in investing activities amounted to US\$261.5 million in fiscal 2015, which was primarily attributable to (1) payment for business acquisitions and the long-term investments in fiscal 2015 in the amount of US\$241.7 million, and (2) property refurbishment and purchase of medical equipment in the amount of US\$37.0 million to support our business growth, which was partially offset by a decrease in restricted cash in the amount of US\$20.8 million.

Financing Activities

Net cash from financing activities amounted to US\$4.5 million in fiscal 2017, which was primarily attributable to (1) our repayments of short-term borrowings in the amount of US\$103.4 million, which was partially offset by (1) the proceeds in the amount of US\$65.7 million from short-term borrowings, (2) the proceeds in the amount of US\$9.6 from long-term borrowings, and (3) the proceeds in the amount of US\$31.9 million from sales and repurchase of our 25% equity interest in New China Life Insurance Health Investment Management Co., Ltd.

Net cash used in financing activities amounted to US\$52.4 million in fiscal 2016, which was primarily attributable to (1) our repayments of short-term borrowings in the amount of US\$60.6 million and (2) our repayments of long-term loans in the amount of US\$29.7 million, which was partially offset by (1) the proceeds in the amount of US\$37.2 million from short-term borrowings, and (2) the proceeds in the amount of US\$1.3 from exercise of share options.

Net cash provided by financing activities amounted to US\$237.5 million in fiscal 2015, which was primarily attributable to (1) the proceeds in the amount of US\$220.2 million from long-term loans, (2) the proceeds in the amount of US\$54.1 million from short-term borrowings, and (3) the proceeds in the amount of US\$12.5 million from long-term borrowings, which was partially offset by the repayment of short-term borrowings in the amount of US\$55.4 million.

Capital Expenditures

Our capital expenditures were incurred primarily in connection with the acquisition of medical centers and the purchase of medical equipment for our medical centers. Our capital expenditures amounted to US\$76.3 million, US\$65.8 million and US\$39.4 million in fiscal 2015, 2016 and 2017, respectively. We expect to continue to invest in acquisitions of medical centers and the purchase of medical equipment through fiscal 2018. Our actual future capital expenditures may differ from the amounts for fiscal 2015, 2016 and 2017 as indicated above. We expect cash generated from our operating activities and financing activities will meet our capital expenditure needs in the foreseeable future.

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C. PRODUCT DEVELOPMENT

As of March 31, 2018, we employed 118 full-time engineers based at our headquarters to operate our network infrastructure, and each self-owned medical center employed one to two information technology staff depending on the number of self-owned medical centers in close proximity. We believe that these intelligent systems and our sophisticated online health records increase the stickiness of our services and help us convert customers who first come to us under corporate accounts into additional individual paying customers.

Our research and development expenses primarily consist of (1) salaries and benefits for research and development personnel, (2) office rental and general expenses associated with the research and development activities, (3) professional fees for outsourcing the development of some of our information technology systems and (4) related depreciation and amortization expenses. In fiscal 2015, 2016 and 2017, our research and development expenses were US\$3.7 million, US\$3.2 million and US\$3.1 million, respectively.

D. TREND INFORMATION

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal 2017 that are reasonably likely to have a material effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. CONTRACTUAL OBLIGATIONS, COMMERCIAL COMMITMENTS AND CONTINGENCIES

Our contractual obligations consist of leases for our medical centers and offices under lease agreements and principal payments related to our short-term and long-term borrowings, and purchase obligations to certain suppliers of reagent and agreed to purchase a minimum level of reagent in order to enjoy volume discounts. The following table sets forth our contractual obligations as of March 31, 2018.

Payment due by period

	Total	Less than 1 year	1-3 years (U.S. dollars in thousands)	3-5 years	More than 5 years
Operating lease obligations	416,824	75,466	129,125	99,481	112,752
Short-term borrowings	196,450	196,450			
Long-term borrowings	38,884		37,020	1,864	
Purchase obligations	20,587	7,936	10,350	2,286	15

G. SAFE HARBOR

See Forward-looking Statements on page 2 of this annual report.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information relating to our directors and executive officers as of the date of this annual report. The business address of each of our directors and executive officers is c/o iKang Healthcare Group, Inc., B-6F, Shimao Tower, 92A Jianguo Road, Chaoyang District, Beijing 100022, China.

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Directors and Executive Officers	Age	Position/Title
Lee Ligang Zhang	47	Chairman of the Board of Directors, Chief Executive Officer
Boquan He	57	Vice Chairman, Director
Feiyan Huang	47	Director, Chief Operating Officer
Minjian Shi	56	Director
Ruby Lu	47	Independent Director
Thomas McCoy Roberts	70	Independent Director
Daqing Qi	54	Independent Director
Man Ho Kee Harry	42	Independent Director
Gavin Zhengdong Ni	44	Independent Director
Yang Chen	48	Chief Financial Officer
Yafang Zhou	59	Senior Vice President
Elmer Liu	54	Vice President
Jinfeng Pan	46	Vice President
Hua Liu	40	Vice President
Xiaojiang Zhou	36	Assistant Vice President, General Manager of Shanghai Operation

Lee Ligang Zhang is our founder and has served as our director, chairman and chief executive officer since December 2003. Mr. Zhang was one of the co-founders of eLong.com, a NASDAQ-listed company, and he served as chief executive officer of its China operation from 1999 to 2003. From 1998 to 1999, Mr. Zhang served as head of product development of Sohu.com Inc., a NASDAQ-listed leading Chinese web portal. Mr. Zhang founded Harvard China Review in 1997 and co-founded Harvard China Forum in 1998. Mr. Zhang received a bachelor's degree in biology and chemistry from Concordia College in the U.S. and a master's degree in genetics from Harvard University. Mr. Zhang currently serves on Harvard University Graduate School of Arts and Science Dean's Advisory Cabinet. Mr. Zhang is married to Ms. Feiyan Huang.

Boquan He has served as our director since July 2007. In 2004, Mr. He founded Guangdong Nowadays Investment Co., Ltd, a professional investment company focusing on retail and service industries in China, and served as chairman of the board of directors. Mr. He founded and served as the chief executive officer of Robust Group from 1989 to 2002. Mr. He is co-founder and has served as co-chairman of 7 Days Group Holdings Limited, a previously New York Stock Exchange-listed economy hotel chain company and director in New York Stock Exchange-listed Noah Holdings Limited.

Feiyan Huang has served as our director since February 2005 and hold various positions including vice president of sales and marketing, general manager for Beijing, Shanghai and Shenzhen operations, chief marketing officer and currently serves as our chief operating officer. Ms. Huang has more than 20 years sales and marketing experience. Ms. Huang was one of the co-founders of eLong.com and served as vice president of sales and marketing at eLong.com from 1999 to 2004. Ms. Huang earned a bachelor's degree in industrial management engineering from Shanghai Jiao Tong University. She studied computer science at Mount Holyoke College and business at Boston University School of Management. Ms. Huang is married to Mr. Lee Ligang Zhang.

Minjian Shi has served as our director since July 2008. Mr. Shi has served as managing director of Guangzhou Tomorrow Investment Management since May 2011 and of Guangdong Nowadays Investment from April 2005 to

May 2011. From September 2000 to April 2005, he served as vice president of finance of Group Robust, a member of Danone Group. From September 1995 to May 2000, Mr. Shi served as commercial manager of Unilever in Australia and China. Mr. Shi served as director of 7 Days Group Holdings Limited from September 2006 to November 2010. Mr. Shi received a bachelor's degree from Shanghai Jiao Tong University and a master's degree in finance from Macquarie University.

Ruby Lu has served as our independent director since July 2014. Ms. Lu is a venture capitalist who specializes in early stage technology companies' investments. Previously, she was the co-founder of DCM China - an early stage venture firm that invested in companies such as VIP.com, 58.com, Bitauto.com and Dangdang.com, which are all listed on New York Stock Exchange. Prior to DCM, Ms. Lu was a vice president in the technology, media and telecommunications investment banking group of Goldman Sachs & Co. Ms. Lu received her master's degree in international economics as well as energy, environment, science and technology from Johns Hopkins University, and bachelor's degree in economics with honors from the University of Maryland.

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Thomas McCoy Roberts has served as our independent director since March 2014. Dr. Roberts has served as Professor of Biological Chemistry and Molecular Pharmacology at Harvard Medical School and the Dana-Farber Cancer Institute since 2011. He has served as Co-Chair of the Department Cancer Biology at the Dana Farber Cancer Institute since 1995 and Co-director for the Dana-Farber/Novartis Drug Discovery Program since 1992. He was Professor of Pathology at Harvard Medical School and the Dana-Farber Cancer Institute from 1990 to 2011, Associate Professor of Pathology from 1986-1990, and Assistant Professor of Pathology from 1980-1986. He served as Chair of the Division of Medical Sciences and Faculty Dean for Graduate Education at Harvard Medical School from 1995 to 2008. Dr. Roberts received a bachelor's degree in chemistry from Wabash College in 1970 and a Ph.D. in biochemistry and molecular biology from Harvard University in 1976.

Daqing Qi has served as our independent director since March 2014. Dr. Qi has served as a professor of accounting at the Cheung Kong Graduate School of Business (CKGSB) since July 2005. He served as associate dean of CKGSB from July 2005 to June 2013. He began teaching at CKGSB in 2002 and was the founding director of its executive MBA program. Prior to that, Dr. Qi was an associate professor at the School of Accountancy of the Chinese University of Hong Kong from 2000 to 2002 and assistant professor from 1996-2000. He served as a part-time instructor in the Department of Accounting at Michigan State University from 1992-1996. Dr. Qi also serves on the board of directors of Sohu.com Inc. and Momo Inc., both of which are listed on NASDAQ, and SinoMedia Holding Limited, Jutal Offshore Oil Services Limited, Reorient Group Limited and RoadShow Holdings Limited, all of which are listed on the Hong Kong Stock Exchange. Dr. Qi received a bachelor's degree in biophysics and a bachelor's degree in journalism from Fudan University in China, an MBA from the University of Hawaii at Manoa and a Ph.D. in accounting from the Eli Broad Graduate School of Management of Michigan State University.

Man Ho Kee Harry has served as our independent director since September 2015. Mr. Man has led investments in iKang as well as other companies in the Internet and mobile sectors such as Momo Technology (NASDAQ: MOMO), 21Vianet (NASDAQ:VNET), Sungy Mobile (NASDAQ: GOMO), Didi Chuxing, Koudai, Kingnet, Pintec, Career International, and Umeng. Starting his career as a management consultant with Arthur Andersen in 1998, Mr. Man has a distinguished career spanning over 17 years in investments in the mobile & Internet sector. In 2008, Mr. Man joined Matrix Partners China as a founding member of the team with a focus on investments in the mobile Internet sector. Prior to Matrix, Mr. Man was a partner at WI Harper Group and led investments in their China office in the TMT sector. Before WI Harper, he led the corporate development teams of two U.S.-listed Internet and mobile companies, Linktone Ltd. (NASDAQ: LTON) and Chinadotcom (NASDAQ: CHINA), and assisted with their investments in various sectors. Mr. Man has been listed in *Fortune China's 40 Under 40* in 2014 and 2015, consecutively, as one of the most influential businessmen in China. Mr. Man received a master's degree in computer science from University of Michigan, Ann Arbor.

Gavin Zhengdong Ni has served as our independent director since March 2015. Mr. Ni is the founder, chairman and chief executive officer of Zero2IPO Group, an integrated service provider and investment institution in China's private equity industry. Mr. Ni graduated from Hunan University with a bachelor's degree of engineering and from Tsinghua University with a master's degree of engineering and obtained his doctor's degree in business administration in Tsinghua University School of Economics and Management.

Yang Chen has served as our chief financial officer since April 2013. Prior to joining iKang, Mr. Chen was vice president of Finance & Strategy at Campbell Soup Asia. Mr. Chen also held a variety of senior management positions at Lee Kum Kee, Dumex, PepsiCo and Wyeth after working at Arthur Andersen as an auditor. Mr. Chen has a bachelor's degree in international finance from Shanghai University of Finance and Economics and received an EMBA degree from Olin School of Business of Washington University in St. Louis. Mr. Chen is a member of the Chinese Institution of Certified Accountants.

Yafang Zhou has served as our senior vice president since August 2007. Ms. Zhou founded iKang Shanghai Xikang Road in 2000 and has served as the director and president of iKang Shanghai Xikang Road since its incorporation. She has also served as vice president of Shanghai Guobin Healthcare Holding Group from June 2006 to August 2007. From October 1994 to May 2002, Ms. Zhou founded Shanghai International Peace Xinfeng Healthcare Co., Ltd. and served as president and general manager. She also worked with the Shanghai Municipal Health Bureau from January 1984 to October 1994.

Elmer Liu has served as our vice president of medical operations since December 2013. Mr. Liu also serves as secretary general of Taiwan Academy of Anti-Aging and Regenerative Medicine, director of Amber Hospitality Management Co. Ltd. and director of Wellness Hospitality Management Co. Ltd. Mr. Liu also had management positions with Taiwan Chinatrust Group and Hong Kong New World Development Group. Mr. Liu graduated from Feng Chia University with a bachelor degree in Public Finance of Business Administration and has a master degree in Hospitality Management from Florida International University.

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Jinfeng Pan has been our vice president of operation & integrated services since April 2017. Prior to his current position, Mr. Pan served as our vice president in charge of platform operations from October 2015 to April 2017. Before Mr. Pan rejoined us, he founded Beijing Weixiang Three Hundred and Sixty Degrees Information Technology Co., Ltd. in February 2015. He also served as general manager of Jiandatong Health Technology (Beijing) Co., Ltd. from April 2013 to January 2015. Mr. Pan served as deputy general manager, assistant to president and vice president of strategic execution and information technology of Beijing iKang Co., Ltd. from February 2007 to 2011. Prior to joining us, Mr. Pan served as website content director, franchise merchant development director, senior director of online marketing department and senior director of online content department of eLong.com from July 1999 to January 2007. Mr. Pan received a dual bachelor's degree in literature and classical music from Guangdong Xinghai Conservatory of Music.

Hua Liu is our current vice president of sales and is responsible for our sales management. Since joining us in February 2006, Mr. Liu has served as corporate sales manager of Beijing region, senior operational manager of Chengdu region, senior sales manager of Beijing region, assistant general manager and director of sales of Guangzhou region, executive deputy general manager of Nanjing region, general manager of Guangzhou region, general manager of Beijing region, assistant vice president of sales, assistant vice president of sales and general manager of South China region. Prior to joining us, Mr. Liu worked at several companies including Beijing Zhaowei Electron (Group) Co., Ltd., Putian Shouxin Group and LG CNS China Co., Ltd. Mr. Liu received his bachelor's degree from Chengdu University of Technology and his EMBA degree from the School of Economics and Management of Tsinghua University.

Xiaojiang Zhou is our current assistant vice president and general manager of Shanghai operation responsible for our general operations in the Shanghai region. Since joining us in October 2006, Mr. Zhou has served as senior account manager of Jiangsu region, deputy general manager for sales of Hangzhou region, general manager of Jiangsu region, executive deputy general manager of Shanghai region and general manager of Shanghai region. Prior to joining us, Mr. Zhou worked at Nanjing Continental Group and Shanghai Heyi Biotechnology Company. Mr. Zhou received his bachelor's degree in bioengineering from Jiangnan University and enrolled in an EMBA program at the School of Management of Fudan University in 2016.

B. COMPENSATION

For fiscal 2017, the aggregate cash compensation paid to our directors and executive officers was approximately US\$4.8 million. No pension, retirement or similar benefits has been set aside or accrued for our executive officers or directors. We have no service contracts with any of our directors providing for benefits upon termination of employment.

Employment Agreements

We have entered into an employment agreement with each of our executive officers. We may terminate an executive officer's employment for cause at any time, with prior notice or remuneration, for certain acts of the officer, including, but not limited to, failure to perform agreed duties, acts that cause material damage to us, a conviction of a crime, or breach of his non-compete or confidentiality obligations, subject to compliance with applicable laws governing employment administration. An executive officer may terminate his or her employment at any time by 30-day prior written notice. Each executive officer is entitled to certain benefits upon termination, including an unpaid portion of the base salary and reimbursement for certain expenses.

Share Incentive Plan

Our board of directors adopted three Share Incentive Plans in February and April 2013 and March 2014, respectively. The purpose of the Share Incentive Plans will be to attract, motivate, reward and retain selected employees and other eligible persons, and hence to drive the success of our business. The Share Incentive Plans provide for the issuance of up to 3,074,000 Class A common shares.

Eligible participants. Certain employees and consultants are eligible to participate in the Share Incentive Plans.

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Share reserve. The maximum aggregate number of common shares that will be issued under the Share Incentive Plans is 3,074,000.

Administration. The compensation committee, as designated by the board of directors and as described under Board committees Compensation committee, will administer the Share Incentive Plans, unless otherwise determined by the board of directors. The compensation committee will have the authority to, among other things, interpret and administer the plan, issue rules and regulations for plan administration, designate plan participants and determine the awards available to each participant and the terms and conditions of these awards. The committee may also determine whether, to what extent, under what circumstances and by what methods any awards may be settled, exercised and deferred.

Options. An option granted under the Share Incentive Plans will have specified terms set forth in an award agreement and will also be subject to the provisions of the Share Incentive Plans. The compensation committee will determine in the relevant award agreement the purchase price per share upon exercise of the option, taking into account the fair market value of the shares on the option grant date. The compensation committee will also determine in the relevant award agreement whether the option granted and vested under the award agreement will be exercisable following the recipient's termination of services with us. If the common shares covered by an option are not exercised or purchased on the last day of the period of exercise, they will terminate. The term of an option granted under the Share Incentive Plans will not exceed 4 years from the date the option is granted. The consideration to be paid for our common shares upon exercise of an option or purchase of shares underlying the option will include cash, common shares, other securities, other awards or other property, or any combination of the foregoing methods of payment.

Restricted stock. Restricted stock issued under the Share Incentive Plans will be subject to restrictions imposed by the compensation committee, including limitations on the right to vote or receive dividends. The compensation committee may also determine that certain or all of these restrictions will lapse after a given period of time.

Restricted stock units. Restricted stock units issued under the Share Incentive Plans will represent the right to receive the value of our common shares (or a percentage of such value) at a specified date in the future, subject to the forfeiture of this right. Like restricted stock, restricted stock units are subject to certain restrictions and limitations that may be imposed by the compensation committee.

Transferability. Unless the compensation committee determines otherwise, our Share Incentive Plans will not allow for the assignment, alienation, sale or transfer of awards other than by will or the laws of descent and distribution. Only the recipient of an award may exercise the award during his or her lifetime.

Change of control. Our Share Incentive Plans will provide that in the event of a change of control event, as defined in the Share Incentive Plans, all awards shall become fully vested and exercisable, and any restrictions applicable to any awards shall automatically lapse.

Amendment and termination. Our Share Incentive Plans will automatically terminate on the tenth anniversary of the respective effective date of each plan, unless we terminate it sooner. Our board of directors will have the authority to amend, suspend or terminate the Share Incentive Plans provided such action does not impair the rights of any participant with respect to any outstanding awards. Shareholder approval will be required for a decision to amend, suspend or terminate the plan if such is required by certain tax or regulatory requirements, or if the amendment proposed would increase the total number of common shares reserved or change the maximum number of common shares.

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The table below sets forth, as of the date of this annual report, the option grants made to our directors and executive officers and to other individuals as a group under our Share Incentive Plans.

Name	Number of Class A Common Shares to Be Issued upon Exercise of Options	Exercise Price per Class A Common Share (in US\$)	Date of Grant	Date of Expiration
Lee Ligang Zhang	*	5.1288	March 18, 2013	March 17, 2023
	500,000	12.8902	February 28, 2018	February 27, 2028
Feiyan Huang	*	5.1288	March 18, 2013	March 17, 2023
	*	12.8902	February 28, 2018	February 27, 2028
Yang Chen	*	6.0000	September 12, 2013	September 11, 2023
	*	12.8902	February 28, 2018	February 27, 2028
Yafang Zhou	*	5.1288	February 27, 2014	February 26, 2024
	*	12.8902	February 28, 2018	February 27, 2028
Hua Liu	*	5.1288	March 18, 2013	March 17, 2023
	*	12.8902	February 28, 2018	February 27, 2028
Xiaojiang Zhou	*	5.1288	March 18, 2013	March 17, 2023
	*	12.8902	February 28, 2018	February 27, 2028
Jinfeng Pan	*	12.8902	February 28, 2018	February 27, 2028
Elmer Liu	*	12.8902	February 28, 2018	February 27, 2028
Boquan He	*	12.8902	February 28, 2018	February 27, 2028
Minjian Shi	*	12.8902	February 28, 2018	February 27, 2028
Man Ho Kee Harry	*	12.8902	February 28, 2018	February 27, 2028
Thomas McCoy Roberts	*	32.9200	February 28, 2018	February 27, 2028
Daqing Qi	*	12.8902	February 28, 2018	February 27, 2028
Ruby Lu	*	12.8902	February 28, 2018	February 27, 2028
Zhengdong Ni	*	12.8902	February 28, 2018	February 27, 2028
Other individuals	365,000	5.1288	March 18, 2013	March 17, 2023
Other individuals	*	5.1288	February 27, 2014	February 26, 2024
Other individuals	*	5.1288	October 28, 2014	October 27, 2024
Other individuals	*	5.1288	February 27, 2015	February 26, 2025
Other individuals	*	6.0000	March 18, 2013	March 17, 2023
Other individuals	*	6.0000	February 27, 2014	February 26, 2024
Other individuals	*	6.0000	October 28, 2014	October 27, 2024
Other individuals	593,485	12.8902	February 28, 2018	February 27, 2028

* Upon exercise of all options granted, would beneficially own less than 1% of our outstanding share capital.

As of March 31, 2018, we had not issued restricted shares to any of our directors or executive officers. As of March 31, 2018, 2,018,725 options and warrants were outstanding.

C. BOARD PRACTICES

Board of Directors

Our board of directors currently consists of nine directors. Under our amended and restated memorandum and articles of association, our board of directors will consist of at least three directors. A vacancy on our board may be filled by a director who is elected by an ordinary resolution passed by the holders of common shares or by the affirmative of a simple majority of the remaining directors. There is no shareholding requirement for qualification to serve as a member of our board of directors.

Our board of directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party.

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As a foreign private issuer we may take advantage of exemptions from certain corporate governance requirements of the NASDAQ Stock Market Rules. Accordingly, you will not have the same protection afforded to shareholders of companies that are subject to all of the NASDAQ's corporate governance requirements. See Item 3.D. Risk Factors - Risks Related to the ADSs. We will rely on the foreign private issuer exemption from most of the corporate governance requirements under the NASDAQ Stock Market Rules.

Duties of Directors

Under Cayman Islands law, our directors have a common law duty of loyalty to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated memorandum and articles of association. Our shareholders have the right, in our name, to seek damages if a duty owed by our directors is breached.

Terms of Directors and Executive Officers

Each of our directors holds office until the expiration of his term or his resignation from the board of directors or until a successor has been duly elected and qualified. All of our executive officers are appointed by and serve at the discretion of our board of directors.

Board Practices

We have established three committees under the board of directors, namely the audit committee, the compensation committee and the nominating and corporate governance committee. Each committee's members and functions are described below. We have adopted a charter for each of the board committees.

Audit Committee

Our audit committee consists of three directors, namely Mr. Daqing Qi, Ms. Ruby Lu and Mr. Gavin Zhengdong Ni and is chaired by Mr. Daqing Qi. All the three directors on our audit committee satisfy the independence requirements of the NASDAQ Stock Market Rules and the SEC. We have determined that Mr. Daqing Qi qualifies as an audit committee financial expert. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- overseeing the qualification of the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;

- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions;
- discussing the annual audited financial statements with management and the independent auditors;
- discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- reviewing with management and the independent auditors related-party transactions and off-balance sheet transactions and structures;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives and actions;
- reviewing policies with respect to risk assessment and risk management;
- reviewing our disclosure controls and procedures and internal control over financial reporting;

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- timely reviewing reports from the independent auditors regarding all critical accounting policies and practices to be used by our company and all other material written communications between the independent auditors and management;
- periodically reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time; and
- meeting separately, periodically, with management, the internal auditors and the independent auditors.

Compensation Committee

Our compensation committee consists of Ms. Feiyan Huang and Mr. Man Ho Kee Harry and is chaired by Ms. Feiyan Huang. Mr. Man Ho Kee Harry satisfies the independence requirements of the NASDAQ Stock Market Rules. Our compensation committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation for our senior executives;
- reviewing and evaluating our executive compensation and benefits policies generally;
- reporting to our board of directors periodically;
- evaluating its own performance and reporting to our board of directors on such evaluation;
- periodically reviewing and assessing the adequacy of the compensation committee charter and recommending any proposed changes to our board of directors; and

- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Mr. Lee Ligang Zhang, Mr. Minjian Shi and Mr. Thomas McCoy Roberts and is chaired by Mr. Lee Ligang Zhang. Mr. Thomas McCoy Roberts satisfies the independence requirements of the NASDAQ Stock Market Rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to serve as our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- periodically reviewing with the board the current composition of the board with regard to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regard to significant developments in the law and practice of corporate governance, as well as our compliance with applicable laws and regulations, and making recommendations to the board on all corporate governance matters and on any remedial action to be taken.

Table of Contents**D. EMPLOYEES**

Our employees consist of all personnel that work in our headquarters, in our call centers and in our self-owned medical centers. We had 11,535, 14,801 and 15,918 employees as of March 31, 2016, 2017 and 2018. The following table sets forth certain information about our employees by function as of March 31, 2018.

	Number of Employees
Doctors	5,538
Nurses	4,903
Sales	2,636
Marketing and Support	315
Administrative and Management	826
Medical and Support	1,544
Information Technology	156
Total	15,918

We have entered into employment agreements with each of our employees. Our employees who have access to sensitive and confidential information also entered into a non-disclosure and confidentiality agreement with us as required in our employment agreements with them.

We are required under PRC laws and regulations to make contributions to our employee benefit plans based on specified percentages of the salaries, bonuses, and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities. See Item 3.D. Risk Factors Risks Related to Our Business Our failure to make sufficient statutory social welfare payments for our employees could materially and adversely affect our business, financial condition, results of operations and prospects.

In accordance with applicable PRC laws and regulations, the NHFPC oversees the activities of doctors in China. The relevant local healthcare administrative authorities above the county level are responsible for the supervision of doctors located in their regions. Doctors in China are regulated by a registration system and each doctor may only practice within the scope as registered in his practice licenses and at the medical institution where such doctor is registered. See Item 3.D. Risk Factors Risks Related to Our Business If we fail to properly manage the employment of our doctors and nurses, we may be subject to penalties including fines, loss of licenses, or an order to cease practice against our medical centers, which could materially and adversely affect our business.

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes. Our employees have not entered into any collective bargaining agreements.

E. SHARE OWNERSHIP

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The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 of the Exchange Act, of our common shares, as of June 30, 2018:

- each of our directors and executive officers;
- each person known to us to own beneficially more than 5% of our common shares as of June 30, 2018.

The calculations in the table below are based on that there were 35,111,193 common shares outstanding as of June 30, 2018, comprising of 34,306,093 Class A common shares and 805,100 Class C common shares, excluding 659,044 Class A common shares issued to our depository and reserved for future exercise of vested options under our share incentive plans by our management and other employees, which are not deemed as outstanding for the purpose of calculating the beneficial ownership in the following table.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

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	Number	%
Directors and Executive Officers:		
Lee Ligang Zhang (1)	4,874,371	13.63
Boquan He(2)	4,458,575	12.69
Man Ho Kee Harry	*	*
Feiyan Huang(3)	637,865	1.80
Minjian Shi (4)	476,831	1.36
Thomas McCoy Roberts	*	*
Daqing Qi	*	*
Ruby Lu	*	*
Yang Chen	*	*
Yafang Zhou	*	*
Elmer Liu	*	*
Jinfeng Pan	*	*
Hua Liu	*	*
Xiaojiang Zhou	*	*
All directors and executive officers as a group	10,733,879	29.59
Principal Shareholders:		
Top Fortune Win Ltd.(5)	4,448,575	12.67
ShanghaiMed, Inc.(6)	3,042,550	8.63
Ora Investment Pte Ltd.(7)	2,831,740	8.07
The Goldman Sachs Group, Inc.(8)	2,184,470	6.22

* Less than 1% of our total outstanding common shares.

(1) Represents (1) 2,892,550 Class A Shares (including 628,410 Class A Shares as represented by 1,256,820 ADSs) owned by ShanghaiMed, Inc., a British Virgin Islands company wholly-owned by Time Intelligent; (2) 526,721 Class A Shares owned by Time Intelligent, a British Virgin Islands company; (3) 805,100 Class C Shares owned by Time Intelligent, and (4) 150,000 Class A Shares issuable upon exercise of options held by ShanghaiMed, within 60 days through the exercise of options; and (5) 500,000 Class A Shares issuable upon exercise of options held by Mr. Zhang within 60 days through the exercise of options. Mr. Zhang's family trust is the beneficial owner of Time Intelligent through certain trust arrangements. The business address of Mr. Zhang is c/o iKang Healthcare Group, Inc., B-6F, Shimao Tower, 92A Jianguo Road, Chaoyang District, Beijing 100022, the PRC.

(2) Represents (1) 4,448,575 Class A Shares owned by Top Fortune, a company ultimately owned by Mr. Boquan He and (2) 10,000 Class A Shares issuable upon exercise of options held by Mr. He. The business address of Mr. He is Unit 3213, Metro Plaza, No. 183-187 Tianhe Road (N), Guangzhou, the PRC, 510620.

(3) Represents (1) 387,865 Class A Shares as represented by 775,730 ADSs owned by Gold Partner Consultants Limited, a British Virgin Islands company, and (2) 250,000 Class A Shares issuable upon exercise of options held by Ms. Feiyan Huang. Ms. Feiyan Huang's family trust is the beneficial owner of Gold Partner Consultants Limited through certain trust arrangements. The business address of Ms. Feiyan Huang is c/o iKang Healthcare Group, Inc., B-6F, Shimao Tower, 92A Jianguo Road, Chaoyang District, Beijing 100022, the PRC.

(4) Represents (1) 466,831 Class A Shares owned by Favoured Star Ltd., a British Virgin Islands company ultimately owned by Mr. Minjian Shi, and (2) 10,000 Class A Shares issuable upon exercise of options held by Mr. Minjian Shi. The business address of Mr. Minjian Shi is c/o iKang Healthcare Group, Inc., B-6F, 92A Jianguo Road, Shimao Tower, Chaoyang District, Beijing 100022, the PRC.

(5) Represents 4,448,575 Class A Shares owned by Top Fortune. The registered address of Top Fortune is Unit 3213, Metro Plaza, No. 183-187 Tianhe Road (N), Guangzhou, the PRC, 510620.

(6) Represents (1) 2,892,550 Class A Shares (including 628,410 Class A Shares as represented by 1,256,820 ADSs) and (2) 150,000 Class A Shares issuable through the exercise of options owned by ShanghaiMed, which is wholly-owned by Time Intelligent. The registered address of ShanghaiMed is Palm Grove House, P.O. Box 3186, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

(7) Represents 2,831,740 Class A Shares as represented by 5,663,480 ADSs owned by Ora Investment Pte Ltd., a limited liability company organized and existing under the laws of Singapore. Ora Investment Pte Ltd. shares the power to vote and the power to dispose of the shares with GIC Special Investments Pte Ltd. and GIC Private Limited, both of which are private limited companies incorporated in Singapore. GIC Special Investments Pte Ltd. is wholly-owned by GIC Private Limited and is the private equity investment arm of GIC Private Limited. GIC Private Limited is a fund manager and manages the reserves of the Government of Singapore. The registered address of Ora Investment Pte Ltd. is 168 Robinson Road, #37-01 Capital Tower, Singapore 068912.

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(8) Represents (1) 3,789,631 ADSs owned by Broad Street Principal Investment, L.L.C., a Delaware limited liability corporation; (2) 90,877 ADSs owned by MBD 2013, L.P., a Delaware limited partnership; (3) 34,646 ADSs owned by MBD 2013 Offshore, L.P., a Cayman Islands limited partnership; (4) 368,248 ADSs owned by Bridge Street 2013, L.P., a Delaware limited partnership; and (5) 85,538 ADSs owned by Bridge Street 2013 Offshore, L.P., a Cayman Islands limited partnership (the foregoing entities collectively, the GS Investing Entities). The GS Investing Entities and/or the general partner, managing general partner or other manager of each of the GS Investing Entities are affiliates of The Goldman Sachs Group, Inc. Goldman Sachs & Co. LLC, a subsidiary of The Goldman Sachs Group, Inc., is the investment manager of certain of the GS Investing Entities. The registered address of each of Broad Street Principal Investment, L.L.C., MBD 2013, L.P. and Bridge Street 2013, L.P. is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA. The registered address of each of MBD 2013 Offshore, L.P. and Bridge Street 2013 Offshore, L.P. is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman.

Our common shares are divided into Class A common shares and Class C common shares. Holders of Class A common shares and Class C common shares have the same rights except for voting and conversion rights. Each Class A common share is entitled to one vote per share, and each Class C common share is entitled to 15 votes per share and is convertible at any time into one Class A common share. Class A common shares are not convertible into Class C common shares under any circumstances.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company other than the going private transaction as disclosed in Item 4.A. History and Development of the Company Proposed Going-private Transaction. To our knowledge, as of June 30, 2018, approximately 74.35% of our common shares were held of record by four holders in the United States, including approximately 74.21% held of record by JPMorgan Chase Bank, N.A. in the form of ADSs. We have no further information as to ADSs held, or beneficially owned, by U.S. persons.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

See Item 6.E.

B. RELATED PARTY TRANSACTIONS

Transactions with Shareholders and Related Parties

In December 2017, iKang Healthcare Technology Group Co., Ltd. (iKang Holding), an affiliate of Mr. Lee Ligang Zhang (Ligang Capital Investment (Shenzhen) Co., Ltd. (Ligang Capital), Shenzhen Putai Investment & Development Co. Ltd. (Putai Investment) and AVIC Trust Co., Ltd. (AVIC Trust) entered into the Limited Partnership Agreement to establish a limited partnership (AVIC Partnership) to invest in the healthcare sector. With respect to AVIC Partnership 's registered capital, Ligang Capital and Putai Investment, as general partners, each subscribed RMB 1 million; AVIC Trust, as a senior limited partner, subscribed no more than RMB 430 million; and iKang Holding, as a junior limited partner, subscribed RMB 70 million. AVIC Partnership purchased 25% equity interest in NCI Health from iKang Guobin Medical Examination Management Co., Ltd. (iKang Medical Examination), and both parties further entered into a Forward Share Purchase Agreement, which provides iKang Medical Examination the option to repurchase the equity interest at the initial purchase price plus an agreed premium within three years. AVIC Partnership also authorized iKang Medical Examination to exercise management rights of the 25% equity interest during the same period through the Letter of Authorization. Furthermore, we and AVIC Partnership entered in to the Corporation Guarantee Agreement, under which, we, as guarantor, will provide guarantee for iKang Medical Examination 's performance in connection with such purchase. For more details about AVIC Partnership, see Item 4. Information on the Company A. History and Development of the Company Major Equity Investments.

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In October 2017, iKang Holding, Ligang Capital, Ningbo Meishan Bonded Port Area Yuansheng Investment Management Co., Ltd. (Ningbo Yuansheng), China Industrial Asset Management and Shanghai Yuansheng Investment Management Co., Ltd. (Shanghai Yuansheng) entered into the Limited Partnership Agreement to establish a limited partnership (China Industrial Partnership) to conduct equity investment in healthcare projects. With respect to China Industrial Partnership's registered capital, Ningbo Yuansheng and Ligang Capital, as general partners, each subscribed RMB 1 million; China Industrial Asset Management, as a senior limited partner, subscribed RMB 400 million; Shanghai Yuansheng and iKang Holding, as junior limited partners, each subscribed RMB 50 million. The parties will set up new medical centers under this partnership, or acquire equity interests in existing medical centers directly or indirectly held by us and/or iKang Holding or other third parties; And after operating these medical centers for a period of at least two years, China Industrial Partnership will transfer their interests in these medical centers to us firstly or other third parties appointed by us at tentative agreed price equal to their original costs with an annual return rate of 15% or the price then agreed by partners of Aiying Xingsheng during the exit period. For more details about China Industrial Partnership, see Item 4. Information on the Company A. History and Development of the Company Major Equity Investments.

In July 2017, Beijing iKang Medical Examination Application Technology Co., Ltd., which was a wholly-owned subsidiary of iKang Holding, increased its registered capital to RMB10 million. After the increase of registered capital, iKang Holding, an affiliate of Mr. Lee Ligang Zhang and an entity controlled by certain of our employees currently hold a 70%, 20% and 10% equity interest, respectively, in Beijing iKang Medical Examination Application Technology Co., Ltd.

In August 2017, Yalong Daoyi, which was a wholly-owned subsidiary of iKang Holding, increased its registered capital to RMB30 million. After the increase of registered capital, iKang Holding, an affiliate of Mr. Lee Ligang Zhang and an entity controlled by certain of our employees currently hold a 70%, 20% and 10% equity interest, respectively, in Yalong Daoyi.

In February 2016, we provided loans to two companies owned by the non-controlling shareholder of one of iKang Holding's subsidiaries in an aggregate amount of US\$4.7 million. In fiscal 2016, this non-controlling shareholder made repayments of US\$2.3 million to us and we provided additional loan of US\$2.2 million to this non-controlling shareholder. As of March 31, 2018, the balance of amount due from this non-controlling shareholder was US\$4.8 million.

Employment Agreements

See Item 6.B. Compensation Employment Agreements for a description of the employment agreements we have entered into with our senior executive officers.

Share Incentives

See Item 6.B. Compensation Share Incentive Plan for a description of share options we have granted to our directors, officers and other individuals as a group.

C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Financial Statements

See Item 18. Financial Statements for our audited consolidated financial statements filed as a part of this annual report.

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Legal Proceedings

We are not currently involved in any material litigation, arbitration or administrative proceedings. We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business, including those we initiate to protect our rights, brand and reputation.

In January 2016, we filed a complaint with the People's Court of Chaoyang District of Beijing against a PRC company, a former employee of our company and certain other defendants with respect to the defendants' joint infringement of our trade secrets including customer information, prices, marketing strategies and other internal business information. We withdrew the complaint in December 2017 and refiled it with the People's Court of Pudong District of Shanghai in January 2018 due to changes in the defendants' jurisdiction. The People's Court of Pudong District of Shanghai is currently in the process of reviewing our claims and relevant evidence. In addition, in April 2016, we filed another complaint with the Shanghai Intellectual Property Court against that PRC company and certain other defendants with respect to the defendants' joint infringement of our copyright of medical examination software systems. The Shanghai Intellectual Property Court is currently in the process of reviewing our claims and relevant evidence. See Item 3.D. Risk Factors - Risks Related to Our Business - Unauthorized use of our intellectual property or other proprietary information by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and competitive position.

Dividend Policy

We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. We do not have any plan to declare or pay any dividends on our common shares in the near future.

Our board of directors has complete discretion in deciding whether to distribute dividends. Even if our board of directors decides to pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

If we pay any dividends, our ADS holders will be entitled to such dividends to the same extent as holders of our Class A common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See Item 12.D. American Depositary Shares. Cash dividends on our Class A common shares, if any, will be paid in U.S. dollars.

B. SIGNIFICANT CHANGES

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Price Range of American Depositary Shares

Our ADSs are listed on the NASDAQ Global Select Market under the symbol KANG. Trading in our ADSs commenced on April 9, 2014.

The following table provides the high and low trading prices for our ADSs on the NASDAQ Global Select Market for the periods indicated. On August 9, 2018, the last reported closing price for our ADSs was US\$20.41 per ADS.

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	Market Price (US\$)	
	High	Low
Fiscal 2014 (from April 9, 2014)	22.65	13.06
Fiscal 2015	22.31	14.00
Fiscal 2016	22.04	13.83
First quarter in fiscal 2016	22.04	17.23
Second quarter in fiscal 2016	19.18	17.94
Third quarter in fiscal 2016	18.56	13.83
Fourth quarter in fiscal 2016	18.33	14.60
Fiscal 2017	20.00	11.73
First quarter in fiscal 2017	15.63	12.15
Second quarter in fiscal 2017	14.60	11.73
Third quarter in fiscal 2017	15.91	14.14
Fourth quarter in fiscal 2017	20.00	15.64
February 2018	16.42	15.77
March 2018	20.00	16.46
Fiscal 2018		
First quarter in fiscal 2018	20.60	19.85
Second quarter in fiscal 2018 (through August 9, 2018)	20.90	20.37
April 2018	20.11	19.85
May 2018	20.33	19.92
June 2018	20.60	20.35
July 2018	20.68	20.37
August 2018 (through August 9, 2018)	20.90	20.41

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ADSs, each two of which represent one our Class A common shares, have been listed on The NASDAQ Global Select Market since April 9, 2014 under the symbol KANG.

D. SELLING SHAREHOLDER

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We incorporate by reference into this annual report the description of our amended and restated memorandum and articles of association contained in our registration statement on Form F-1 (File No. 333-194263) filed with the Securities and Exchange Commission on March 21, 2014.

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C. MATERIAL CONTRACTS

We have not entered into any material contracts other than in the ordinary course of business or other than those described in Item 4. Information on the Company and in Item 7. Major shareholders and Related Party Transactions or elsewhere in this annual report.

D. EXCHANGE CONTROLS

See Item 3.D. Risk Factors - Risks Related to Doing Business in China - PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our company to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to increase their registered capital or distribute profits to us, or otherwise materially and adversely affect us and Item 4.B. Business Overview - Government Regulations - Regulations Relating to Foreign Currency Exchange.

E. TAXATION

The following sets forth material Cayman Islands, PRC and U.S. federal income tax considerations relevant to holders of our Class A common shares or ADSs. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any current or prospective holder of our Class A common shares or ADSs. The discussion is based on laws and relevant interpretations thereof as of the date hereof, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States.

Cayman Islands Taxation

According to our Cayman Islands counsel, Conyers Dill & Pearman, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes levied by the Government of the Cayman Islands that are likely to be material to holders of ADSs or common shares. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to us or our operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from June 7, 2011.

PRC Taxation

On March 16, 2007, the National People's Congress, the PRC legislature, enacted the PRC Enterprise Income Tax Law, or the EIT Law, which was further amended in February 2017. On December 6, 2007, the State Council promulgated the Implementation Regulations to the PRC Enterprise Income Tax Law, or the EIT Law Implementation Regulations.

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Under the EIT Law, enterprises organized under the laws of jurisdictions outside China with *de facto* management bodies that are located within China may be considered PRC resident enterprises and therefore be subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The EIT Law Implementation Regulations define the term *de facto* management body as a management body that exercises full or substantial control and management authority over the production, operation, personnel, accounts and assets of an enterprise. The State Administration of Taxation, or the SAT, issued the *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies*, or Circular 82, on April 22, 2009. Circular 82 provides specific criteria for determining whether the *de facto* management body of a Chinese-controlled offshore enterprise is located in China, which include the presence in the PRC of the following: (1) the location where senior management members responsible for an enterprise's daily operations discharge their duties; (2) the location where financial and human resource decisions are made or approved by organizations or persons; (3) the location where the major assets and corporate documents are kept; and (4) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises, rather than enterprises controlled by PRC individuals and foreigners, such as our company, the criteria set forth in Circular 82 may reflect the SAT's general position on how the *de facto* management body test should be applied in determining the tax residency status of offshore enterprises regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises. On July 27, 2011, the SAT issued *Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial)*, or Bulletin 45, which became effective on September 1, 2011, amended on April 14, 2015 and partially replaced by *Announcement of State Administration of Taxation on Matters Relating to Chinese Tax Resident Identity Certificates* which to become effective on October 1, 2016, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status and post-determination administration. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold tax when paying PRC-sourced dividends, interest and royalties to the offshore incorporated PRC resident enterprise. On January 29, 2014, the SAT further issued *Announcement on Determination of Resident Enterprises under De Facto Management Body Standard*, or Bulletin 9, which delegates the determination of the status of offshore incorporated PRC resident enterprise to the provincial-level tax authorities. Bulletin 9 is applicable to enterprise income tax filings for 2013 and onwards.

There are currently no detailed rules or precedents governing the procedures and specific criteria for determining whether a given entity constitutes a *de facto* management body, and a final confirmation by the SAT as to the residency status of offshore enterprises is generally necessary. Therefore, it remains unclear whether the PRC tax authorities would classify us as a PRC resident enterprise. Because substantially all of our operations and senior management are located within the PRC and are expected to remain so for the foreseeable future, we may be considered a PRC resident enterprise for enterprise income tax purposes and therefore subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. If we were treated as a PRC resident enterprise, although under the EIT Law and the EIT Law Implementing Regulations dividends paid to us from our PRC subsidiaries should qualify as tax-exempt income, there is no assurance that we would enjoy such tax-exempt treatment on dividends paid to us from our PRC subsidiaries in the same manner as offshore incorporated PRC resident enterprises controlled by PRC enterprises or PRC corporate groups enjoy under Circular 82 and Bulletin 45. In addition, the EIT Law Implementation Regulations provide that, (1) if an enterprise that distributes dividends is domiciled in the PRC, or (2) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as PRC-sourced income. It is not yet clear how the term *domicile* will be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where an enterprise is a tax resident. As a result, if we were deemed to be a PRC resident enterprise, any dividends that we pay to our non-resident enterprise shareholders or ADS holders, as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs, may be regarded as PRC-sourced income and thus subject to a 10% PRC tax (which in the case of dividends will be withheld at source). Any PRC tax liability may be reduced by an applicable tax treaty.

Under the *PRC Individual Income Tax Law*, or IITL, if we are treated as a PRC resident enterprise, it is possible that non-resident individual investors may be subject to PRC individual income tax at a rate of 20% on any dividends paid to such investors (which tax on dividends may be withheld at source) and any capital gains realized from the transfer of our Class A common shares and/or ADSs if such dividends or capital gains are deemed income derived from sources within the PRC. Any PRC tax liability may be reduced by an applicable tax treaty. Under the PRC-U.S. tax treaty, a 10% preferential rate of tax will apply to dividends, provided that certain conditions are met. A non-resident individual is an individual who has no domicile in the PRC and does not stay within the PRC or has stayed within the PRC for less than one year. Pursuant to the IITL and its implementation rules, the taxable gain from the transfer of our Class A common shares or ADSs will be based on the total amount obtained minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income.

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The PRC has entered into tax treaties with Hong Kong pursuant to which the PRC withholding tax rate on dividends derived in China can be reduced to 5% provided that such an enterprise holds more than 25% equity interest in the PRC company and qualifies as a beneficial owner as defined under the *Circular on How to Interpret and Recognize the Beneficial Owner in Tax Treaties* issued by the SAT in October 2009, or Circular 601. The PRC has also entered into tax treaties with other jurisdictions. In the event that we are treated as a PRC tax resident, dividends distributed by us to our non-PRC shareholders and ADSs holders whose jurisdictions have tax treaties with China providing for preferential withholding arrangements will not be entitled to the benefits under such withholding arrangements unless such holder is considered a beneficial owner under Circular 601.

See Item 3.D. Risk Factors – Risks Related to Doing Business in China. We may be required to withhold PRC income tax on the dividends we pay you (if any), and any gain you realize on the transfer of our common shares and/or ADSs may be subject to PRC tax if we are treated as a PRC resident enterprise.

U.S. Federal Income Tax Considerations

The following is a discussion of material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Class A common shares or ADSs, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to own Class A common shares or ADSs. This discussion applies only to a U.S. Holder that owns Class A common shares or ADSs as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences, any aspect of the Medicare contribution tax on net investment income and tax consequences applicable to U.S. Holders subject to other special rules, such as, but not limited to:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding Class A common shares or ADSs as part of a straddle, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the Class A common shares or ADSs;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships or other pass-through entities for U.S. federal income tax purposes;

- tax-exempt entities, individual retirement accounts and Roth IRAs ;
- persons that own or are deemed to own shares or ADSs representing 10% or more of our stock by vote or value;
- persons who acquired Class A common shares or ADSs pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding Class A common shares or ADSs in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Class A common shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Class A common shares or ADSs, and partners in such partnerships, should consult their tax advisers as to the U.S. federal income tax consequences of owning the Class A common shares or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations and the U.S.-PRC income tax treaty, or the Treaty, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

For purposes of this discussion, a U.S. Holder is a person that for U.S. federal income tax purposes is a beneficial owner of Class A common shares or ADSs that is:

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- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying Class A common shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying Class A common shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released before the underlying shares are delivered to the depositary, or intermediaries in the chain of ownership between holders of American depositary shares and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by owners of American depositary shares. These actions would also be inconsistent with the claiming of the reduced rates of tax, described below, applicable to dividends received by certain non-corporate owners. Accordingly, the creditability of PRC taxes, if any, and the availability of the reduced tax rates for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

U.S. Holders should consult their own tax advisers concerning the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of Class A common shares or ADSs in their particular circumstances.

Taxation of Distributions. Subject to the passive foreign investment company, or PFIC, rules described below, distributions paid on our Class A common shares or ADSs, other than certain *pro rata* distributions of Class A common shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of earnings and profits under U.S. federal income tax principles, it is expected that distributions paid on our Class A common shares or ADSs generally will be reported to U.S. Holders as dividends. Such dividends will not be eligible for the dividends received deduction generally available to U.S. corporations under the Code. Such dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's receipt, or in the case of ADSs, the depositary's receipt, of the dividend.

Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, dividends paid by qualified foreign corporations to certain non-corporate U.S. Holders may be taxable at rates lower than the rates applicable to ordinary income. U.S. Holders should consult their tax advisers to determine whether the favorable rates will apply to dividends they receive in respect of our Class A common shares or ADSs and whether they are subject to any special rules that limit their ability to be taxed at these favorable rates.

Dividends will be treated as foreign-source income for foreign tax credit purposes. As described in Item 10.E. Taxation – PRC Taxation, if we were deemed to be a PRC resident enterprise for PRC tax purposes, dividends paid with respect to our Class A common shares or ADSs might be subject to PRC withholding taxes. For U.S. federal income tax purposes, the amount of a dividend would include any amounts withheld by us in respect of PRC taxes. Subject to applicable limitations, and in the case of ADSs subject to the discussion above regarding concerns expressed by the U.S. Treasury, any PRC income taxes withheld from dividends (at a rate not exceeding any applicable rate under the Treaty in the case of a U.S. Holder eligible for the Treaty’s benefits) would be creditable against the U.S. Holder’s U.S. federal income tax liability. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances and their eligibility for benefits under the Treaty. Instead of claiming a credit, a U.S. Holder may, subject to generally applicable limitations, elect to deduct such PRC taxes, if any, in computing taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year.

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Sale or Other Disposition of Class A Common Shares or ADSs. Subject to the PFIC rules described below, for U.S. federal income tax purposes, gain or loss realized on the sale or other disposition of Class A common shares or ADSs will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder owned the Class A common shares or ADSs for more than one year. The amount of the gain or loss will be equal to the difference between the U.S. Holder's tax basis in the relevant Class A common shares or ADSs and the amount realized on the disposition, each as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

As described in Item 10.E. Taxation – PRC Taxation, if we were deemed to be a PRC resident enterprise for PRC tax purposes, gains from dispositions of our Class A common shares or ADSs might be subject to PRC tax. In that case, a U.S. Holder's amount realized would include any amounts paid in respect of PRC taxes. A U.S. Holder is entitled to use foreign tax credits to offset only the portion of its U.S. federal income tax liability that is attributable to foreign-source income. Because under the Code capital gains of U.S. persons are generally treated as U.S.-source income, this limitation may preclude a U.S. Holder from claiming a credit for all or a portion of any PRC taxes imposed on any such gains. However, U.S. Holders that are eligible for the benefits of the Treaty may be able to elect to treat the gain as PRC-source and therefore claim foreign tax credits in respect of PRC taxes on such disposition gains. U.S. Holders should consult their tax advisers regarding their eligibility for benefits under the Treaty and the creditability of any PRC tax on disposition gains in their particular circumstances.

Passive Foreign Investment Company Rules. In general, a foreign corporation will be a PFIC for any taxable year in which (1) 75% or more of its gross income consists of passive income (such as dividends, interest, rents royalties and certain gains) or (2) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. If a corporation owns at least 25% (by value) of the stock of another corporation, the corporation will be treated, for purposes of the PFIC tests, as owning its proportionate share of the 25%-owned corporation's assets and receiving its proportionate share of the 25%-owned corporation's income.

Based upon the nature of our business and estimates of the value of our assets, including goodwill, which are based, in part, on the market price of our ADSs, we believe that we were not a PFIC for our taxable year ended March 31, 2018. However, it is not entirely clear how the contractual arrangements between our wholly-owned subsidiaries, our affiliated PRC entities and the shareholders of our affiliated PRC entities will be treated for purposes of the PFIC rules. In addition, we hold a substantial amount of cash, and our PFIC status for any taxable year may depend on the proportionate value of such cash and other passive assets compared to total market value of our assets. Because the treatment of the contractual arrangements is not entirely clear, because we have, and expect to continue to have, a substantial amount of cash and other passive assets, and because the determination of whether we are a PFIC will depend on the character of our income and assets and the value of our assets from time to time, which may be based in part on the market price of our ADSs, which is likely to fluctuate, we may be a PFIC for any taxable year.

If we were a PFIC for any taxable year and any of our subsidiaries or other entities in which we own or are treated as owning equity interests were also a PFIC (any such entity, a Lower-tier PFIC), U.S. Holders would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described below on (1) certain distributions by a Lower-tier PFIC and (2) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders had not received the proceeds of those distributions or dispositions.

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If we were a PFIC for any taxable year during which a U.S. Holder owned our Class A common shares or ADSs, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of Class A common shares or ADSs by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such shares or ADSs. The amounts allocated to the taxable year of disposition and to taxable years prior to the first taxable year in which we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amounts. Further, to the extent that any distribution received by a U.S. Holder on Class A common shares or ADSs exceeded 125% of the average of the annual distributions received on such shares or ADSs during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner.

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Alternatively, if we were a PFIC and if the Class A common shares or ADSs were regularly traded on a qualified exchange, a U.S. Holder could make a mark-to-market election with respect to its Class A common shares or ADSs, as applicable, that would result in tax treatment different from the general tax treatment for PFICs described above. The Class A common shares or ADSs would be treated as regularly traded in any calendar year in which more than a de minimis quantity of the Class A common shares or ADSs, as the case may be, were traded on a qualified exchange at least 15 days during each calendar quarter. The NASDAQ, where our ADSs are listed, is a qualified exchange for this purpose. However, as our Class A common shares are not listed on an exchange, holders of Class A common shares will not be able to make a mark-to-market election. U.S. Holders will not be able to make a mark-to-market election with respect to Lower-tier PFICs, if any. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize, in each year that we are a PFIC, as ordinary income any excess of the fair market value of the ADSs at the end of the taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the ADSs will be adjusted to reflect these income or loss amounts. In addition, if a U.S. Holder makes the mark-to-market election, any gain that the U.S. Holder recognizes on the sale or other disposition of ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years in which we are a PFIC unless our ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in a further alternative tax treatment.

If we were a PFIC for any taxable year during which a U.S. Holder owned our Class A common shares or ADSs, we would generally continue to be treated as a PFIC with respect to that U.S. Holder for all succeeding taxable years during which the U.S. Holder owned the Class A common shares or ADSs, even if we ceased to meet the threshold requirements for PFIC status. In addition, if we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the favorable rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

If a U.S. Holder owns Class A common shares or ADSs during any taxable year in which we are a PFIC, the U.S. Holder generally will be required to file annual reports on Internal Revenue Service Form 8621.

U.S. Holders should consult their tax advisers regarding the determination of whether we are a PFIC and the potential application of the PFIC rules.

Information Reporting and Backup Withholding. Payments of dividends with respect to our Class A common shares or ADSs and proceeds from the sale, exchange or redemption of our Class A common shares or ADSs that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (1) the U.S. Holder is a corporation or other exempt recipient or (2) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies

that it is not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals or certain specified entities may be required to report information relating to securities of non-U.S. companies, or non-U.S. accounts through which they are held, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership or disposition of Class A common shares or ADSs.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENTS BY EXPERTS

Not applicable.

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H. DOCUMENTS ON DISPLAY

We have filed with the SEC a registration statement on Form F-1, a registration statement on Form F-6, two registration statements on Form S-8, and two registration statements on Form 8-A, including relevant exhibits and schedules under the Securities Act, covering the Class A common shares represented by the ADSs, as well as the ADSs. You should refer to our registration statements and their exhibits and schedules if you would like to find out more about us and about the ADSs and the Class A common shares represented by the ADSs. This annual report summarizes material provisions of contracts and other documents to which we refer you. Since this annual report may not contain all the information that you may find important, you should review a full text of these documents.

The SEC also maintains a website that contains reports, proxy statements and other information about issuers, such as us, who file electronically with the SEC. The address of that site is <http://www.sec.gov>. The information on that website is not a part of this annual report.

We will furnish to JPMorgan Chase Bank, N.A., as depositary of our ADSs, copies of our annual report. When the depositary receives these reports, it will upon our request promptly provide them to all holders of record of ADSs. We will also furnish the depositary with all notices of shareholders' meetings and other reports and communications in English that we make available to our shareholders. The depositary will make these notices, reports and communications available to holders of ADSs and will upon our request mail to all holders of record of ADSs the information contained in any notice of a shareholders' meeting it receives.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. The registration statements, reports and other information so filed can be inspected and copied at the public reference facilities maintained by the SEC at Room 1580, 100 F Street, N.E., Washington D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

I. SUBSIDIARY INFORMATION

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse change in financial market prices and rates. In the course of our normal operations, we are exposed to market risks, including fluctuations in foreign currency exchange rates and interest rates.

Foreign Exchange Risk

Substantially all of our revenues and most of our expenses are denominated in Renminbi. Our exposure to foreign exchange risk primarily relates to cash and cash equivalent denominated in U.S. dollars as a result of the proceeds from our initial public offering. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Although in general, our exposure to foreign exchange risks is limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and Renminbi because the value of our business is effectively denominated in Renminbi, while the ADSs will be traded in U.S. dollars. See Item 3.D. Risk Factors Risks Related to Doing Business in China. Fluctuations in the value of the Renminbi could result in foreign currency exchange losses.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. As of March 31, 2018, our total outstanding borrowings and loans amounted to US\$235.3 million with interest rates ranging from 4.35% to 10.50%. We have not used any derivative financial instruments to manage our interest risk exposure. We have not been exposed to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.

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Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of shares regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$0.05 or less per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee for the distribution or sale of securities, such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- an aggregate fee of US\$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);

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- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Fees and Other Payments Made by the Depositary to Us

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program. There are limits on the amount of expenses for which the depositary will reimburse us, and the amount of reimbursement available to us is not entirely related to the amounts of fees the depositary collects from investors.

PART II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See Item 10. Additional Information for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following Use of Proceeds information relates to the registration statement on Form F-1, as amended (File Number 333-194263) in relation to our initial public offering of 7,574,446 ADSs representing 3,787,223 Class A common shares by us and an aggregate of 3,330,400 ADSs representing 1,665,200 Class A common shares by the selling shareholders, and the underwriters' exercise of their option to purchase from us an additional 1,029,112 ADSs representing 514,556 Class A common shares, at an initial offering price of US\$14.00 per ADS. Our initial public offering closed in April 2014. Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC were the representatives of the underwriters for our initial public offering.

We received net proceeds of approximately US\$149.2 million from our initial public offering. We did not receive any proceeds from the 3,330,400 ADSs sold by the selling shareholders. For the period from April 8, 2014, the date that the F-1 Registration Statement was declared effective by the SEC, to March 31, 2018, the net proceeds received from our initial public offering were mainly used as follows:

- approximately US\$31.8 million for restricted cash as collateral for our local borrowings in China, which were primarily used to purchase properties and equipment,
- approximately US\$70.6 million for operating expenses, including the expenses of new medical centers or dental clinics, the purchase of properties and equipment, the cost of upgrading our information technology systems and the administrative costs, and

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- approximately US\$46.8 million for acquisitions and investments.

As of March 31, 2018, we have used all of the net proceeds from our initial public offering.

Item 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2018, the end of the period covered by this report. Based on such evaluation, our management has concluded that, as of March 31, 2018, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our chief executive officer and chief financial officer, has assessed the effectiveness of our internal control over financial reporting as of March 31, 2018. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 Framework).

Based on this assessment, management concluded that our internal control over financial reporting was effective as of March 31, 2018 based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, who audited the financial statements included in this annual report on Form 20-F, has issued an attestation report on our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of iKang Healthcare Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of iKang Healthcare Group, Inc. (the Company), its subsidiaries, its variable interest entities (VIEs), and its VIEs subsidiaries (collectively, the Group) as of March 31, 2018, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by COSO.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended March 31, 2018, of the Group and our report dated August 10, 2018, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

August 10, 2018

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during fiscal 2017 that have materially and adversely affected, or are reasonably likely to materially and adversely affect, our internal control over financial reporting.

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Daqing Qi qualifies as an audit committee financial expert as such term is defined in Item 16A(b) of Form 20-F.

Our board of directors has determined that all of the members of our audit committee are independent as such term is defined by Rule 5605(a)(2) of the NASDAQ Listing Rules and Rule 10A-3 of the Exchange Act.

Table of Contents**Item 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics, which is applicable to our senior executive and financial officers. In addition, our board of directors has adopted a code of conduct, which is applicable to all of our directors, officers and employees. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (No. 333-194263) in connection with our initial public offering in April 2014. We have made our code of business conduct and ethics publicly available on our website at ir.ikang.com.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent registered public accounting firm for fiscal 2016 and 2017. We did not pay any other fees to our auditors during the periods indicated below.

	For the years ended March 31,	
	2017	2018
	(U.S. dollars in thousands)	
Audit fees(1)	1,419	1,553
Audit-related fees(2)	31	
Tax fee(3)		
All other fees		
Total	1,450	1,553

(1) Audit fees include the aggregate fees billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm for the audit of our annual consolidated financial statements.

(2) Audit-related fees means the aggregate fees billed in each of the fiscal years for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit fees.

(3) Tax fees represents the aggregate fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning.

All auditing and non-auditing services provided by our independent auditors must be pre-approved by our audit committee.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

We are incorporated in the Cayman Islands and qualify as a foreign private issuer under the Securities Act, which, pursuant to the NASDAQ Listing Rules, allows us to follow home country practice in lieu of the NASDAQ corporate governance requirements subject to certain exceptions and requirements and except to the extent that such exemptions would be contrary to U.S. federal securities laws and regulations. The significant differences between our corporate governance practices and those followed by U.S. companies under the NASDAQ Listing Rules are summarized as follows:

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- We follow home country practice that permits us not to hold an annual meeting of shareholders no later than one year after the end of our fiscal year-end.
- We follow home country practice that permits our board of directors not to have a compensation committee composed solely of independent directors in lieu of complying with Rule 5605(d)(2). Our compensation committee is currently composed of two members, only one of whom is independent director.
- We follow home country practice that permits our board of directors not to have a nomination committee composed solely of independent directors in lieu of complying with Rule 5605(e)(1). Our nominating and corporate governance committee is currently composed of three members, only one of whom is independent director.
- We follow home country practice that permits our independent directors not to hold regularly scheduled meetings at which only independent directors are present in lieu of complying with Rule 5605(b)(2).
- We follow home country practice that permits us not to obtain shareholder approval prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended in lieu of complying with rule 5635(c).

We follow home country practice with respect to annual meetings and did not hold an annual shareholder meeting in fiscal 2017. We may, however, hold annual shareholder meetings in the future if there are significant issues that require shareholders approvals.

We are not required to and will not voluntarily meet the above requirements. As a result of our use of the foreign private issuer exemptions, you will not have the same protection afforded to shareholders of companies that are subject to all of NASDAQ's corporate governance requirements.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

Item 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

Item 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report.

Item 19. EXHIBITS

Exhibit Number	Description of Document
1.1	<u>Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.1	<u>Form of the Registrant's American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.2	<u>Specimen Certificate for Class A Common Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.3	<u>Form of Deposit Agreement among the Registrant, the Depository and all Holders and Beneficial Owners of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.4	<u>Shareholders' Agreement dated March 1, 2014 among the Registrant, its common shareholders, preferred shareholders and other parties (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>

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Exhibit Number	Description of Document
2.5	<u>Amendment No.1 to Shareholders Agreement dated March 12, 2014 among the Registrant, iKang Guobin Healthcare Group, Inc. and then existing shareholders of iKang Guobin Healthcare Group, Inc. (incorporated herein by reference to Exhibit 4.5 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.1	<u>Share Incentive Plan adopted as of February 2013 (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.2	<u>Share Incentive Plan adopted as of April 2013 (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.3	<u>Share Incentive Plan adopted as of March 2014 (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.4	<u>Form of Indemnification Agreement with the Registrant's Directors (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.5	<u>Form of Employment Agreement between the Registrant and Executive Officers of the Registrant (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.6	<u>Exclusive Business Cooperation Agreement between ShanghaiMed iKang, Inc. and Shanghai Guobin Medical Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014) dated April 27, 2007 (English translation) (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1, as amended (File No. 333- 194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.7	<u>Agreement Extension Notice dated April 26, 2017 from ShanghaiMed iKang, Inc. to iKang Healthcare Technology Group Co., Ltd. to extend the expiration date of the Exclusive Business Cooperation Agreement for ten year to April 26, 2027 (English translation) (incorporated herein by reference to Exhibit 4.7 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.8	<u>Equity Pledge Agreement among ShanghaiMed iKang, Inc., Boquan He, Lee Ligang Zhang and Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014) dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1, as amended (File No. 333- 194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.9	<u>Exclusive Call Option Agreement among ShanghaiMed iKang, Inc., Boquan He, Lee Ligang Zhang and Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014) dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.10	<u>Power of Attorney executed by Boquan He in favor of ShanghaiMed iKang, Inc. dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.11	<u>Power of Attorney executed by Lee Ligang Zhang in favor of ShanghaiMed iKang, Inc. dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.12	<u>Exclusive Business Cooperation Agreement between iKang Health Management (Zhejiang) Co., Ltd. and Hangzhou iKang Guobin Clinic Co., Ltd. dated January 12, 2011(English translation) (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.13	<u>Equity Pledge Agreement among iKang Health Management (Zhejiang) Co., Ltd., Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), Shanghai Yalong Daoyi Services Co., Ltd. and Hangzhou iKang Guobin Clinic Co., Ltd. dated January 12, 2011 (English translation) (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>

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Exhibit Number	Description of Document
4.14	<u>Exclusive Call Option Agreement among iKang Health Management (Zhejiang) Co., Ltd., Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), Shanghai Yalong Daoyi Services Co., Ltd., Hangzhou iKang Guobin Clinic Co., Ltd. and iKang Zhejiang, Inc. dated January 12, 2011 (English translation) (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.15	<u>Power of Attorney executed by Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), in favor of iKang Health Management (Zhejiang) Co., Ltd. dated January 12, 2011(English translation) (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.16	<u>Power of Attorney executed by Shanghai Yalong Daoyi services Co., Ltd. in favor of iKang Health Management (Zhejiang) Co., Ltd. dated January 12, 2011 (English translation) (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.17	<u>Equity Transfer Agreement between Boquan He and Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), dated August 1, 2011 (English translation) (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.18	<u>Spousal Consent Letter of Ms. Baoming Li, the spouse of Mr. Boquan He (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.19	<u>Spousal Consent Letter of Ms. Feiyan Huang, the spouse of Mr. Lee Ligang Zhang (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.20	<u>Exclusive Business Cooperation Agreement between ShanghaiMed iKang, Inc. and Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.21	<u>Equity Pledge Agreement among ShanghaiMed iKang, Inc., Hu Haiqing and Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.22	<u>Exclusive Call Option Agreement among ShanghaiMed iKang, Inc., Hu Haiqing and Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.26 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.23	<u>Power of Attorney executed by Hu Haiqing in favor of Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.27 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.24	<u>Statement and Acknowledgment executed by Ma Rui dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.28 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.25	<u>Equity Transfer Agreement among Shanghai iKang Guobin Health Examination Management Group Co., Ltd., Shanghai Huajian Health Examination Management Co., Ltd. and Qian Hui dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 4.29 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>

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Exhibit Number	Description of Document
4.26	<u>Shanghai Assets and Equity Transaction Contract between Shanghai Gaotong Logistic Service and Management Co., Ltd. and Shanghai iKang Health Examination Management Group Co., Ltd. dated May 22, 2014 (English translation) (incorporated herein by reference to Exhibit 4.30 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.27	<u>Equity Transfer Agreement among Shanghai Huajian Investment Management Co., Ltd., Shanghai iKang Guobin Health Examination Management Group Co., Ltd. and Shanghai Huajian Health Examination Management Co., Ltd. dated June 9, 2014 (English translation) (incorporated herein by reference to Exhibit 4.31 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.28	<u>Supplementary Agreement on Qian Hui's Transfer of All Her Equities in Shanghai Huajian Health Examination Management Co., Ltd. to Shanghai iKang Health Examination Management Group Co., Ltd. between Qian Hui and Shanghai iKang Health Examination Management Group Co., Ltd. dated June 9, 2014 (English translation) (incorporated herein by reference to Exhibit 4.32 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.29	<u>Equity Transfer Agreement between Hunan Fengxun Digital Technology Co., Ltd. and iKang Guobin Health Examination Management Group Co., Ltd. dated February 10, 2015 (English translation) (incorporated herein by reference to Exhibit 4.33 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 27, 2015)</u>
4.30	<u>Rights Agreement between iKang Healthcare Group, Inc. and American Stock Transfer & Trust Company, L.L.C., as Rights Agent dated December 2, 2015 (incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 6-K, filed on December 3, 2015)</u>
4.31	<u>Forms of Rights Certificate and of Election to Exercise, included in Exhibit A to the Rights Agreement (incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 6-K, filed on December 3, 2015)</u>
4.32	<u>Summary Translation of Capital Injection Agreement among New China Life Insurance Co., Ltd., iKang Guobin Healthcare Group Co., Ltd., Shenzhen Top Spring Pu Chang Investment Management Co., Ltd. and New China Life Insurance Health Investment Management Co., Ltd. dated December 4, 2015 (incorporated herein by reference to Exhibit 4.36 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.33	<u>Summary Translation of Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated December 9, 2015 (incorporated herein by reference to Exhibit 4.37 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.34	<u>Summary Translation of Investment Agreement between Shenzhen Xingwang Great Health No.1 Investment Center (Limited Partnership) and iKang Healthcare Technology Group Co., Ltd. dated December 7, 2015 (incorporated herein by reference to Exhibit 4.38 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.35	<u>Summary Translation of Investment Agreement between Zhongjin Zhide Equity Investment Management Co., Ltd. and iKang Healthcare Technology Group Co., Ltd. dated December 11, 2015 (incorporated herein by reference to Exhibit 4.39 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.36	<u>Summary Translation of Investment Agreement among Tianjin Junlian Yunpeng Enterprise Management Consulting Partnership (Limited Partnership), iKang Healthcare Technology Group Co., Ltd. and Beijing Junlian Xinhai Equity Investment Partnership (Limited Partnership) dated December 30, 2015 (incorporated herein by reference to Exhibit 4.40 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.37	<u>Cooperation Agreement among iKang Healthcare Group, Inc., iKang Health Technology Group Co., Ltd., Ligang Capital Investment (Shenzhen) Co., Ltd., Yuansheng Investment Management Co., Ltd. of Ningbo Meishan Bonded Port Area and China Industrial Asset Management Limited dated July 19, 2017 (English translation) (incorporated herein by reference to Exhibit 4.37 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.38	<u>Exclusive Business Cooperation Agreement between Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd. and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.38 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>

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Exhibit Number	Description of Document
4.39	<u>Equity Pledge Agreement among Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., Hu Haiqing and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.39 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.40	<u>Equity Pledge Agreement among Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., Tan Juan and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.40 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.41	<u>Exclusive Call Option Agreement among Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., Hu Haiqing, Tan Juan and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.41 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.42	<u>Power of Attorney executed by Hu Haiqing in favor of Yuanhua Medical Consultancy Services (Shanghai) Co. dated March 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.42 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.43	<u>Power of Attorney executed by Tan Juan in favor of Yuanhua Medical Consultancy Services (Shanghai) Co. dated March 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.43 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.44	<u>Supplemental Agreement to the Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated January 17, 2017 (English translation) (incorporated herein by reference to Exhibit 4.44 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.45	<u>Supplemental Agreement II to the Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated July 10, 2017 (English translation) (incorporated herein by reference to Exhibit 4.45 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.46	<u>Supplemental Agreement II to Investment Agreement between Shenzhen Xingwang Great Health No.1 Investment Center (Limited Partnership) and iKang Healthcare Technology Group Co., Ltd. dated January 24, 2017 (English translation) (incorporated herein by reference to Exhibit 4.46 to our annual report on Form 20-F filed with the Securities and Exchange Commission on August 15, 2017)</u>
4.47*	<u>Supplemental Agreement II to the Loan Agreement between iKang Health Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated July 10, 2017 (English translation)</u>
4.48*	<u>Limited Partnership Agreement among iKang Healthcare Technology Group Co., Ltd., Ligang Capital Investment (Shenzhen) Co., Ltd., Ningbo Meishan Bonded Port Area Yuansheng Investment Management Co., Ltd., China Industrial Asset Management Limited and Shanghai Yuansheng Investment Management Co., Ltd. dated October 20, 2017 (English translation)</u>
4.49*	<u>Supplemental Agreement to the Investment Agreement between Zhongjin Qizhi (Shanghai) Equity Investment Center (Limited Partnership) and iKang Healthcare Technology Group Co., Ltd. dated December 13, 2017 (English translation)</u>
4.50*	<u>Limited Partnership Agreement among iKang Healthcare Technology Group Co., Ltd., Ligang Capital Investment (Shenzhen) Co., Ltd., Shenzhen Putai Investment & Development Co. Ltd. and AVIC Trust Co., Ltd. dated December 18, 2017 (English translation)</u>
4.51*	<u>Forward Share Purchase Agreement between Hangkang Investment Management Partnership (Limited Partnership) of Ningbo Meishan Bonded Port Area and iKang Guobin Medical Examination Management Co., Ltd. dated December 18, 2017 (English translation)</u>
4.52*	<u>Letter of Authorization for Management Rights between Hangkang Investment Management Partnership (Limited Partnership) of Ningbo Meishan Bonded Port Area and iKang Guobin Medical Examination Management Co., Ltd. dated December 18, 2017 (English translation)</u>
4.53*	<u>Agreement Extension Notice to the Exclusive Call Option Agreement dated on March 17, 2008 among iKang Healthcare Technology (Beijing) Co., Ltd., iKang Health Technology Group Co., Ltd., Boquan He and Lee Ligang Zhang dated March 22, 2018 (English translation)</u>

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Exhibit Number	Description of Document
4.54*	<u>Supplemental Agreement III to the Loan Agreement between iKang Health Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated March 23, 2018 (English translation)</u>
4.55	<u>Agreement and Plan of Merger dated March 26, 2018 among the Registrant, IK Healthcare Investment Limited and IK Healthcare Merger Limited (incorporated by reference to Exhibit (d)-(1) to the Schedule 13E-3 (File No. 005-88530) filed with the Securities and Exchange Commission on May 30, 2018)</u>
4.56	<u>Amendment No. 1 to the Agreement and Plan of Merger dated May 29, 2018 among the Registrant, IK Healthcare Investment Limited and IK Healthcare Merger Limited (incorporated by reference to Exhibit (d)-(2) to the Schedule 13E-3 (File No. 005-88530) filed with the Securities and Exchange Commission on May 30, 2018)</u>
8.1*	<u>List of Significant Subsidiaries of the Registrant</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
12.1*	<u>Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2*	<u>Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
13.2**	<u>Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1*	<u>Consent of <i>Convers Dill & Pearman</i></u>
15.2*	<u>Consent of <i>King & Wood Mallesons</i></u>
15.3*	<u>Consent of <i>Deloitte Touche Tohmatsu Certified Public Accountants LLP, an Independent Registered Public Accounting Firm</i></u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

iKang Healthcare Group, Inc.

/s/ Lee Ligang Zhang_

Name:

Lee Ligang Zhang

Title:

Chairman and Chief Executive Officer

Date: August 10, 2018

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IKANG HEALTHCARE GROUP, INC.

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FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of IKANG HEALTHCARE GROUP, INC.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of iKang Healthcare Group, Inc. (the Company), its subsidiaries, its variable interest entities (VIEs), and its VIEs subsidiaries (collectively, the Group) as of March 31, 2018 and 2017 and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended March 31, 2018, and the related notes and financial statement schedule included in Schedule I (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 10, 2018, expressed an unqualified opinion on the Group's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Group's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

August 10, 2018

We have served as the Company's auditor since 2009.

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Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands of US dollars, except share and per share data, or otherwise noted)**

	2017	As of March 31,	2018
ASSETS			
Current assets			
Cash and cash equivalents	\$ 64,898	\$	62,901
Restricted cash	392		
Term deposits	4,359		
Accounts receivable, net of allowance for doubtful accounts of \$14,261 and \$23,142 as of March 31, 2017 and 2018, respectively	79,576		149,259
Inventories	6,781		9,261
Deferred tax assets-current	9,635		
Amount due from related parties	4,538		7,019
Prepaid expenses and other current assets	49,736		66,939
Total current assets	\$ 219,915	\$	295,379
Property and equipment, net	163,081		173,283
Acquired intangible assets, net	25,852		21,993
Goodwill	107,237		117,995
Long-term investments	180,758		196,816
Deferred tax assets-non-current	16,698		39,380
Rental deposit and other non-current assets	14,950		20,309
TOTAL ASSETS	\$ 728,491	\$	865,155
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable (including accounts payable of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$34,637 and \$43,840 as of March 31, 2017 and 2018, respectively)	\$ 39,892	\$	52,800
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$48,910 and \$60,281 as of March 31, 2017 and 2018, respectively)	59,278		76,586
Income tax payable (including income tax payable of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$6,414 and \$13,523 as of March 31, 2017 and 2018, respectively)	11,951		15,579
Deferred revenues (including deferred revenues of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$57,361 and \$87,388 as of March 31, 2017 and 2018, respectively)	64,740		95,422
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of nil and \$3,480 as of March 31, 2017 and 2018, respectively)			3,692

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Short-term borrowings (including short term borrowings of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$111,299 and \$196,450 as of March 31, 2017 and 2018, respectively)	111,299	196,450
Total current liabilities	\$ 287,160	\$ 440,529

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Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED BALANCE SHEETS - continued****(In thousands of US dollars, except share and per share data, or otherwise noted)**

	2017	As of March 31,	2018
Long-term borrowings (including long-term borrowings of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of 101,697 and \$38,884 as of March 31, 2017 and 2018, respectively)	101,697		38,884
Deferred tax liabilities-non-current (including deferred tax liabilities-non-current of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$7,009 and \$4,944 as of March 31, 2017 and 2018, respectively)	7,229		5,917
TOTAL LIABILITIES	\$ 396,086		\$ 485,330
Commitments and contingencies (Note 22)			
Equity			
iKang Healthcare Group, Inc. shareholders' equity			
Class A common shares (\$0.01 par value; 37,648,485 shares authorized as of March 31, 2017 and 2018, 33,916,439 issued and outstanding as of March 31, 2017 and 2018, respectively)	339		339
Class C common shares (\$0.01 par value; 2,000,000 shares authorized as of March 31, 2017 and 2018, 805,100 shares issued and outstanding as of March 31, 2017 and 2018)	8		8
Additional paid-in capital	436,649		472,677
Statutory reserve	14,761		18,396
Accumulated deficit	(112,698)		(133,642)
Accumulated other comprehensive loss	(26,622)		(2,071)
Total iKang Healthcare Group, Inc. shareholders' equity	312,437		355,707
Non-controlling interests	19,968		24,118
TOTAL EQUITY	332,405		379,825
TOTAL LIABILITIES AND EQUITY	\$ 728,491		\$ 865,155

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands of US dollars, except share and per share data, or otherwise noted)**

	For the years ended March 31,		
	2016	2017	2018
Net revenues	\$ 370,812	\$ 435,713	\$ 563,932
Cost of revenues	210,909	262,134	325,656
Gross profit	159,903	173,579	238,276
Operating expenses:			
Selling and marketing expenses	64,763	74,304	96,594
General and administrative expenses (including share-based compensation expenses of \$1,949, \$1,941 and \$34,822 in 2016, 2017 and 2018, respectively)	65,422	82,783	126,255
Research and development expenses	3,716	3,194	3,055
Total operating expenses	133,901	160,281	225,904
Income from operations	26,002	13,298	12,372
Interest expense	(4,603)	(13,880)	(20,191)
Interest income	785	939	382
Other income	1,874		
Income/(loss) before provision for income taxes and gain/(loss) from equity method investments	24,058	357	(7,437)
Income tax expenses	5,838	3,354	6,791
Income/(loss) before loss from equity method investments	18,220	(2,997)	(14,228)
Loss from equity method investments	(1,732)	(9,547)	(2,448)
Net income/(loss)	16,488	(12,544)	(16,676)
Less: Net income/(loss) attributable to non-controlling interest	(1,837)	(1,293)	633
Net income/(loss) attributable to iKang Healthcare Group, Inc.	18,325	(11,251)	(17,309)
Net income/(loss) attributable to common shareholders of iKang Healthcare Group, Inc.	\$ 18,325	\$ (11,251)	\$ (17,309)
Net income/(loss) per share attributable to common shareholders of iKang Healthcare Group, Inc.			
Basic	\$ 0.55	\$ (0.33)	\$ (0.50)
Diluted	\$ 0.54	\$ (0.33)	\$ (0.50)
Weighted average shares used in calculating net income (loss) per common share			
Basic	33,583,005	34,060,579	34,295,160
Diluted	34,235,542	34,060,579	34,295,160

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The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands of US dollars, except share and per share data, or otherwise noted)**

	For the years ended March 31,		
	2016	2017	2018
Net income/(loss)	\$ 16,488	\$ (12,544)	\$ (16,676)
Other comprehensive income/(loss):			
Foreign currency translation adjustments	(12,187)	(20,252)	25,604
Unrealized gain/(loss) on available-for-sale investments (net of taxes of \$47, \$40 and \$221 for the years ended March 31, 2016, 2017 and 2018, respectively)	186	(161)	885
Comprehensive income/(loss)	4,487	(32,957)	9,813
Less: comprehensive income /(loss) attributable to non-controlling interest	(2,321)	(2,661)	2,571
Comprehensive income/(loss) attributable iKang Healthcare Group, Inc.	\$ 6,808	\$ (30,296)	\$ 7,242

The accompanying notes are an integral part of these consolidated financial statements.

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IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, except share and per share data, or otherwise noted)

	Common Shares	Common Amount	Additional paid-in capital	Statutory reserve	Accumulated deficit	Accumulated other comprehensive income/(loss)	iKang s shareholders equity	Non-controlling interest	Total shareholders equity
Balance at March 31, 2015	34,361,539	\$ 343	\$ 419,862	\$ 8,399	\$ (113,410)	\$ 3,936	\$ 319,130	\$ 9,218	\$ 328,348
Provision for statutory reserve				3,130	(3,130)				
Share-based compensation expenses			1,949				1,949		1,949
Exercise of employee share options (1)			8,035				8,035		8,035
Settlement of acquisition payable of Shanghai Huajian Health Examination Management Co., Ltd.			7,202			4	7,206		7,206
Purchase of non-controlling interest of iKang Shanghai Wangzu Guobin Medical Center Co., Ltd.			(302)				(302)	(486)	(788)
Purchase of non-controlling interest of Beijing Tianzhikangjian Investment Management Co., Ltd. (Beijing Tianzhikangjian)								(1,178)	(1,178)
Addition of non-controlling interest in connection with acquisition of Beijing Tianzhikangjian Investment Management Co., Ltd.								5,050	5,050
Addition of non-controlling interest in connection with acquisition of Yinchuan iKang Guobin Ciming Clinic Co., Ltd. (iKang Yinchuan Ciming)								1,613	1,613
								2,416	2,416

Addition of non-controlling interest in connection with acquisition of Yantai iKang Guobin Ciming Medical Examination Management Co.,Ltd, Weifang Kuiwen iKang Guobin Ciming Clinic Co., Ltd. and Weihai iKang Guobin Ciming Medical Examination Management Co., Ltd. (Weihai Ciming)				
Addition of non-controlling interest in connection with acquisition of Xi an iKang Guobin Medical Examination Management Co., Ltd. (Xi an iKang Guobin)			3,242	3,242
Addition of non-controlling interest in connection with acquisition of Guizhou Wishstar Health Examination Clinic Co., Ltd.			4,446	4,446
Addition of non-controlling interest in connection with capital injection of Xi an iKang Guobin Medical Examination Management Co., Ltd.			457	457
Addition of non-controlling interest in connection with establishment of China Physician Alliance Group, Limited (China Physician Alliance)			551	551
Addition of non-controlling interest in connection with establishment of Wuhu iKang Guobin Clinic Co., Ltd.(Wuhu iKang)			182	182
Dividend distribution to non-controlling interest holder of Shanghai Wangzu Guobin Medical Center Co., Ltd.			(557)	(557)
Dividend distribution to non-controlling interest holder of MediFast (Hong Kong) Limited			(57)	(57)
Net income/(loss)	18,325	18,325	(1,837)	16,488
Foreign currency translation adjustments		(11,703)	(484)	(12,187)
		186	186	186

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Unrealized gain on
available-for-sale
investments

Balance at March 31, 2016	34,361,539	\$	343	\$	436,746	\$	11,529	\$	(98,215)	\$	(7,577)	\$	342,826	\$	22,576	\$	365,402
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IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued

(In thousands of US dollars, except share and per share data, or otherwise noted)

	Common Shares	Common Amount	Additional paid-in capital	Statutory reserve	Accumulated deficit	Accumulated other comprehensive income/(loss)	iKang s shareholders equity	Non-controlling interest	Total shareholders equity
Provision for statutory reserve				3,232	(3,232)				
Share-based compensation expenses			1,941				1,941		1,941
Exercise of employee share options (1)			1,324				1,324		1,324
Issuance of common shares, to option pool, in connection with share-based compensation arrangements	350,000	4					4		4
Issuance of common shares in connection with exercise of options	10,000								
Purchase of non-controlling interest of Shenzhen iKang Guobin Hospital Management Co., Ltd. (Shenzhen Hospital Management)			(3,362)				(3,362)	906	(2,456)
Capital contribution from non-controlling interest in connection with establishment of Wuxi iKang Guobin Clinic Co., Ltd. (Wuxi iKang)								130	130
Dividend distribution to non-controlling interest holder of MediFast (Hong Kong) Limited								(983)	(983)
Net income					(11,251)		(11,251)	(1,293)	(12,544)
Foreign currency translation adjustments						(18,884)	(18,884)	(1,368)	(20,252)
Unrealized loss on available-for-sale investments						(161)	(161)		(161)
Balance at March 31, 2017	34,721,539	\$ 347	\$ 436,649	\$ 14,761	\$ (112,698)	\$ (26,622)	\$ 312,437	\$ 19,968	\$ 332,405
				3,635	(3,635)				

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Provision for statutory reserve									
Share-based compensation expenses	34,822				34,822				34,822
Exercise of employee share options (1)	1,324				1,324				1,324
Capital contribution from non-controlling interest of Zhenjiang iKang Guobin Clinic Co., Ltd.(Zhenjiang iKang)							909		909
Capital contribution through other assets relating to non-controlling interest of Ningbo Haishu iKang Guobin Clinic Co., Ltd. (Ningbo iKang)							461		461
Purchase of non-controlling interest of Fujian iKang Guobin Health Management Co., Ltd. (Fujian iKang)	(1,872)				(1,872)		(630)		(2,502)
Acquisition in connection with IMHealthcare (Beijing) Technology Co., Ltd.	2,326				2,326		1,444		3,770
Return of capital of Weihai iKang Guobin Ciming Medical Examination Management Co., Ltd. Clinic (Weihai Ciming Clinic) & Weihai iKang Guobin Ciming Medical Examination Management Co., Ltd.	(572)				(572)				(572)
Dividend distribution to non-controlling interest holders of Yinchuan iKang Guobin Ciming Clinic Co., Ltd. & Yinchuan iKang Guobin Clinic Co., Ltd.							(605)		(605)
Net income/(loss)		(17,309)			(17,309)		633		(16,676)
Foreign currency translation adjustments			23,666		23,666		1,938		25,604
Unrealized gain on available-for-sale investments			885		885				885
Balance at March 31, 2018	34,721,539	\$	347	\$	472,677	\$	18,396	\$	(133,642)
							(2,071)		\$
							355,707		\$
							24,118		\$
									379,825

(1) Shares were previously issued to the option pool.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of US dollars, except share and per share data, or otherwise noted)**

	For the years ended March 31,		
	2016	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/(loss)	\$ 16,488	\$ (12,544)	\$ (16,676)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	30,394	37,413	42,182
Share-based compensation expenses	1,949	1,941	34,822
Impairment of property and equipment	281	276	708
Loss on liquidation of a subsidiary	106		
Gain from disposal of cost method investment	(1,772)		
Allowance for doubtful accounts	8,509	6,136	7,317
Loss from equity method investments	1,732	9,547	2,448
Changes in assets and liabilities			
Accounts receivable	(22,632)	(16,271)	(65,799)
Inventories	(1,279)	(3,103)	(1,654)
Prepaid expenses and other current assets	(10,069)	3,165	(6,344)
Deferred tax assets	(8,296)	(11,476)	(9,925)
Rental deposit and other long-term assets	(2,781)	(2,150)	(3,916)
Accounts payable	4,766	9,337	8,629
Accrued expenses and other current liabilities	3,979	18,741	7,453
Deferred revenues	23,914	6,846	23,165
Income tax payable	702	4,368	2,327
Deferred government subsidy	(61)		
Deferred tax liabilities	(2,328)	(2,183)	(1,732)
Net cash provided by generated from operating activities	43,602	50,043	23,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash	20,772	30,124	408
Term deposits	2,361	7,679	4,528
Purchase of property and equipment	(37,024)	(63,389)	(34,912)
Purchase of intangible assets	(157)		
Purchase of non-controlling interest of Shenzhen iKang Guobin Hospital Management Co., Ltd.		(2,397)	
Purchase of non-controlling interest of Shanghai Wangzu Guobin Medical Center Co., Ltd.	(788)		
Purchase of non-controlling interest of Beijing Tianzhikangjian Investment Management Co., Ltd.	(1,212)		
Payments for business acquisitions (net of cash acquired of \$10,165 and \$6 and \$516 for years ended March 31, 2016, 2017 and 2018, respectively)	(37,249)	(2,371)	(1,307)
Purchase of non-controlling interest of Fujian iKang			(1,843)
Prepayment for business acquisitions			(879)
Payment for long-term investments	(204,414)	(5,473)	(3,149)
Return of prepayment for long-term investments		4,000	

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Proceeds from sale of cost method investment	1,897		
Loan provided to related parties	(4,719)	(2,508)	
Repayment of loan by related parties		2,324	140
Proceeds from disposal of the subsidiaries			2,231
Payment of loan receivables	(1,000)		
Net cash used in investing activities	(261,533)	(32,011)	(34,783)

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Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS - continued**

(In thousands of US dollars, except share and per share data, or otherwise noted)

	For the years ended March 31,		
	2016	2017	2018
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	8,035	1,324	1,324
Capital contribution from non-controlling interest shareholders	567	134	909
Return of capital to non-controlling interest shareholders			(572)
Dividend distribution to non-controlling interest shareholders	(795)	(704)	(884)
Payments for business acquisitions	(1,853)		
Proceeds from financing agreement in relation with New China Life Insurance Health Investment Management Co., Ltd.			31,886
Proceeds from long-term borrowings	232,744		9,565
Proceeds from short-term borrowings	54,126	37,176	65,679
Repayments of short-term borrowings	(55,359)	(60,610)	(103,403)
Repayments of long-term borrowings		(29,741)	
Net cash provided by (used in) financing activities	237,465	(52,421)	4,504
Effect of exchange rate on cash and cash equivalents	(8,759)	(8,824)	5,277
Net increase (decrease) in cash and cash equivalents	10,775	(43,213)	(1,997)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	97,336	108,111	64,898
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 108,111	\$ 64,898	\$ 62,901
Supplemental cash flow information			
Income tax paid	\$ 13,327	\$ 11,649	\$ 17,894
Interest paid	\$ 1,957	\$ 3,600	\$ 24,673
Supplemental non-cash financing and investing activities			
Payable for business acquisitions	\$ 9,350	\$ 6,436	\$ 10,127
Payable for purchase of long-term investments	\$ 3,743		
Payable for purchase of property and equipment	\$ 7,109	\$ 11,830	\$ 12,456
Prepayment for business acquisitions	\$ 10,570	\$ 3,322	\$ 4,524
Prepayment for long-term investments	\$ 4,000		
Prepayment for purchase of property and equipment	\$ 11,318	\$ 12,677	\$ 17,699
Capital contribution, through other assets, relating to non-controlling interest			\$ 461

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

iKang Healthcare Group, Inc. (the Company), was incorporated on May 25, 2011 as a limited liability company in the Cayman Islands. On March 1, 2014, the Company entered into a share swap agreement and became the ultimate holding company of iKang Guobin Healthcare Group, Inc. with the completion of the one to one share exchange to the existing shareholders of iKang Guobin Healthcare Group, Inc. for all shares of equivalent classes.

The Company, its subsidiaries, its variable interest entities (VIEs) and its VIEs subsidiaries (collectively, the Group) are primarily engaged in providing medical examination services, disease screening services, dental services and other healthcare related services in the People's Republic of China (the PRC).

List of the Group's subsidiaries, VIEs and the VIEs major subsidiaries as of March 31, 2018 were as follows:

Names	Place of incorporation	Percentage of beneficial interest by iKang Healthcare Group, Inc.	Principal activities
Subsidiaries:			
iKang Guobin Healthcare Group, Inc.(iKang Guobin)	BVI	100%	Holding company
ShanghaiMed iKang, Inc. (Beijing iKang)	PRC	100%	On-demand healthcare services
Shanghai iKang Co., Ltd. (Shanghai iKang)	PRC	100%	On-demand healthcare services
iKang Zhejiang, Inc. (iKang Zhejiang BVI)	BVI	73%	Holding company
iKang Health Management (Zhejiang) Co., Ltd. (Zhejiang iKang)	PRC	73%	On-demand healthcare services
Bayley & Jackson (China) Medical Services Limited (Bayley & Jackson (Hong Kong))	Hong Kong	100%	Holding company
Beijing Bayley & Jackson Clinic Co., Ltd. (iKang Beijing Ritan)	PRC	100%	Medical examinations & clinical services
Yuanhua Healthcare Limited (Yuanhua HK)	Hong Kong	100%	Holding company

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Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd. (Yuanhua WFOE)	PRC	100%	On-demand healthcare services
MediFast (Hong Kong) Limited (MediFast)	Hong Kong	80%	Medical examinations & clinical services
WA Centers HK Limited (WA Health Care)	Hong Kong	70%	Holding company
iKang(Shanghai) Financing Lease Co., Ltd. (iKang(Shanghai) Financing Lease)	PRC	100%	Lease services
iKang MRI Center, Inc.	BVI	70%	Medical service
iKang MRI Center, Limited	Hong Kong	100%	Medical service
iKang mHealth, Inc.	BVI	70%	Medical service
iKang Health Cloud Technology Limited	Hong Kong	100%	Medical service
iKang Health Cloud (Beijing) Software Co., Ltd. (iKang Health Cloud)	PRC	100%	Research & development
VIEs:			
iKang Healthcare Technology Group Co., Ltd.(formerly named as Shanghai iKang Guobin Holding Co., Ltd.)(iKang Holding)	PRC	100%	Holding company
Hangzhou iKang Guobin Clinic Co., Ltd. (iKang Hangzhou Xixi)	PRC	73%	Medical examinations
Shanghai Yuanhua Information Technology Co., Ltd. (Yuanhua Information)	PRC	100%	Holding company
Jiandatong Health Technology (Beijing) Co., Ltd. (Beijing Jiandatong)	PRC	80%	On-demand healthcare services

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued**

Names	Place of incorporation	Percentage of beneficial interest by iKang Healthcare Group, Inc.	Principal activities
VIes major subsidiaries (Note):			
iKang Guobin Healthcare Group Co., Ltd.(formerly named as Beijing iKang Online Technology Co., Ltd.) (iKang Online)	PRC	100%	On-demand healthcare services
Guangzhou iKang Guobin Health Examination Co., Ltd. (iKang Guangzhou Huanshi)	PRC	100%	Medical examinations
Shanghai Guobin Medical Center Co., Ltd. (iKang Shanghai Xikang Road)	PRC	100%	Medical examinations & clinical services
Shanghai iKang Guobin Mingmen Clinic Co., Ltd. (iKang Shanghai Pudong Avenue)	PRC	100%	Medical examinations
Shanghai iKang Jianwei Healthcare Management Co., Ltd. (Jianwei Healthcare Management)	PRC	54.4%	On-demand healthcare services
Shanghai Yalong Daoyi Services Co., Ltd. (Yalong Daoyi)	PRC	70%	On-demand healthcare services
Beijing iKang Jun an Clinic Co., Ltd. (iKang Beijing Jun an)	PRC	100%	Medical examinations & clinical services
Beijing iKang Guobin Yayun Clinic Co., Ltd. (iKang Beijing Yayun)	PRC	100%	Medical examinations
Beijing iKang Guobin Wanzhishou Clinic Co., Ltd. (iKang Beijing Wanzhishou)	PRC	100%	Medical examinations
Beijing iKang Medical Examination Application Technology Co., Ltd. (Medical Examination Application)	PRC	70%	On-demand healthcare services
Beijing Daoyitong Health Management Co., Ltd. (Beijing Daoyitong)	PRC	70%	On-demand healthcare services
Shanghai Jinxu Huajian Clinic Co., Ltd. (Shanghai Jinxu Huajian)	PRC	100%	Medical examinations
Chengdu Gaoxin iKang Dental Clinic Co., Ltd. (iKang Chengdu Gaoxin)	PRC	100%	Dental services
	PRC	100%	Medical examinations

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Shenzhen iKang Guobin Clinic Co., Ltd. (formerly named as Shenzhen iKang Guobin Clinic) (iKang Shenzhen Luohu)			
Beijing iKang Guobin Zhongguan Clinic Co., Ltd. (iKang Beijing Zhongguancun)	PRC	100%	Medical examinations
Shanghai iKang Guobin Renren Clinic Co., Ltd. (iKang Shanghai Yangpu)	PRC	100%	Medical examinations
Shanghai iKang Guobin Blue Cross Clinic Co., Ltd. (iKang Shanghai Lujiazui)	PRC	100%	Medical examinations
Beijing iKang Guobin Clinic Co., Ltd. (iKang Beijing Xuanwumen)	PRC	100%	Medical examinations
Nanjing iKang Guobin Clinic Co., Ltd. (iKang Nanjing Gulou)	PRC	100%	Medical examinations
Beijing iKang Guobin Xinei Clinic Co., Ltd. (iKang Beijing Xinei)	PRC	100%	Medical examinations
Shanghai iKang Guobin Fukang Clinic Co., Ltd. (Yan an West Road)	PRC	100%	Medical examinations
Hangzhou iKang Guobin Wenhui Clinic Co., Ltd. (iKang Hangzhou Wenhui)	PRC	100%	Medical examinations
Chengdu Jinjiang iKang Guobin Hongzhaobi Health Examination General Clinic Co., Ltd. (iKang Chengdu Hongzhaobi)	PRC	100%	Medical examinations
iKang Dental Hospital Management Co., Ltd. (iKang Dental Hospital Management)	PRC	100%	Management of dental services
Beijing iKang Guobin Lidu Clinic Co., Ltd. (iKang Beijing Lidu)	PRC	100%	Medical examinations
Beijing iKang Guobin Jianwai Clinic Co., Ltd. (iKang Beijing Jianguomen)	PRC	100%	Medical examinations
Fuzhou iKang Guobin Clinic Co., Ltd. (iKang Fuzhou Gulou)	PRC	100%	Medical examinations
Shanghai iKang Guobin Zhonghuan Yipin Clinic Co., Ltd. (formerly named as Shanghai Zhonghuan Yipin Clinic Co., Ltd.) (iKang Shanghai Zhonghuan)	PRC	100%	Medical examinations
Shanghai iKang Guobin Yipin Clinic Co., Ltd. (formerly named as Shanghai Yipin Clinic Co., Ltd.) (iKang Shanghai Jing an)	PRC	100%	Medical examinations
Shanghai iKang Guobin Waizhitan Clinic Co., Ltd. (iKang Shanghai Yan an East Road)	PRC	100%	Medical examinations
Shanghai iKang Guobin Jianzhiwei Clinic Co., Ltd. (formerly named as Shanghai iKang Guobin Jianwei Clinic Co., Ltd.) (iKang Shanghai Jianwei)	PRC	100%	Medical examinations
Tianjin Heping Aibin Clinic Co., Ltd. (iKang Tianjin Heping)	PRC	100%	Medical examinations
Suzhou iKang Guobin Clinic Co., Ltd. (formerly named as Suzhou Aibin Clinic, Co., Ltd.) (iKang Suzhou)	PRC	100%	Medical examinations
Suzhou Zhuoyue Clinic Co., Ltd. (Suzhou Zhuoyue)	PRC	100%	Medical examinations
Guangzhou iKang Guobin Huacheng Clinic (LLP) (iKang Guangzhou Wokang)	PRC	100%	Medical examinations
Shanghai Yuanhua Clinic Co., Ltd. (Yuanhua Clinic)	PRC	100%	Medical examinations
Shanghai Wangzu Guobin Medical Center Co., Ltd. (iKang Shanghai Gubei)	PRC	100%	Medical examinations
Changzhou iKang Guobin Clinic Co., Ltd. (iKang Changzhou)	PRC	62.5%	Medical examinations
Chengdu Gaoxin iKang Guobin Chengnan Clinic Co., Ltd. (Chengdu Gaoxin iKang West City)	PRC	100%	Medical examinations
Shanghai Huajian Clinic Co., Ltd. (Shanghai Huajian)	PRC	100%	Medical examinations
Shanghai Huajian Health Examination Management Co., Ltd. (Shanghai Huajian Management)	PRC	100%	On-demand healthcare services
Shanghai Zhenjing Clinic Co., Ltd. (Shanghai Zhenjing)	PRC	70%	Medical examinations
	PRC	100%	Medical examinations

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Beijing iKang Guobin Shunping Clinic Co., Ltd. (iKang Beijing Shunping)			
Chongqing iKang Zhuoyue Clinic Co., Ltd. (iKang Chongqing Zhuoyue)	PRC	100%	Medical examinations
Xi an Lianhu iKang Guobin Zhuoyue Hospital Co., Ltd. (Xi an Lianhu Yinglun)	PRC	70%	Medical examinations
Guizhou Wishstar Health Examination Clinic Co., Ltd. (Guizhou Wishstar)	PRC	60%	Medical examinations
Beijing iKang Guobin Sunny Jingchao Clinic Co., Ltd. (iKang Beijing Jingchao)	PRC	83%	Medical examinations
Yantai iKang Guobin Ciming Medical Examination Management Co., Ltd. (Yantai Ciming)	PRC	70%	On-demand healthcare services
Beijing Bohui Clinic Co., Ltd. (Beijing Bohui)	PRC	100%	Medical examinations
Wuhan iKang Zhuoyue Clinic Co., Ltd. (Wuhan Zhuoyue)	PRC	100%	Medical examinations
Shanghai iKang Jun an Clinic Co., Ltd. (Shanghai Jun an)	PRC	100%	Medical examinations
Yinchuan iKang Guobin Clinic Co., Ltd. (Yinchuan Clinic)	PRC	100%	Medical examinations

Note: Net revenues generated from these VIEs major subsidiaries accounted for approximately 80% of the Group s net revenues as of March 31, 2018.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

Before January 31, 2012, PRC regulations limited business entities with direct foreign ownership of more than 70% to provide certain healthcare services in the PRC. To comply with related PRC regulations, the Company conducted the majority of its businesses through Beijing iKang and Zhejiang iKang, subsidiaries of the Group, and iKang Holding, iKang Holding's subsidiaries and iKang Hangzhou Xixi, which are VIEs and VIEs' subsidiaries (VIE entities) of the Company. Beijing iKang and Zhejiang iKang entered into a series of contractual arrangements with the VIEs and their shareholders, and through those contractual arrangements, as described below, the Company obtained the control and the right to substantially all of economic benefits of the VIE entities.

In July 2013, iKang Guobin acquired 100% of Yuanhua, including Yuanhua HK, Yuanhua WFOE (a variable interest entity), Yuanhua Information and Yuanhua Clinic, which provide medical examination related services in China. Yuanhua WFOE entered into a series of contractual arrangements with Yuanhua Information and Mr. Haiqing Hu and Mr. Lei Zhao through which Yuanhua WFOE gained effective control over the operation of Yuanhua Information and is able to receive substantially all the economic benefits of Yuanhua Information. In March 2017, one of Yuanhua Information's shareholders, Mr. Lei Zhao, was changed to Ms. Juan Tan; Yuanhua WFOE, Yuanhua Information and Yuanhua Information's shareholders entered into a new series of contractual arrangements with the same terms and the original contractual arrangements were terminated.

In December 2013, Beijing iKang entered into a series of contractual arrangements with Beijing Jiandatong and Mr. Haiqing Hu through which Beijing iKang gained effective control over the operation of Beijing Jiandatong and is able to receive substantially all the economic benefits of Beijing Jiandatong.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

Starting from January 31, 2012, foreign-invested enterprises incorporated in the PRC are not expressly prohibited from providing healthcare services in the PRC; however, in order to operate under a foreign-invested enterprise, the Group needs to reapply for the licenses or permits required for conducting such business from the National Health Commission of the PRC and Ministry of Commerce of the PRC, because currently most licenses of the Group to conduct healthcare services are held by PRC entities. As of March 31, 2018, the Group has not yet applied for such licenses or permits. Therefore the Group still operates through its VIE entities.

Beijing iKang, Zhejiang iKang and Yuanhua WFOE have entered into the following contractual arrangements with iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong, Yuanhua Information and the shareholders of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIE entities, and (2) receive the economic benefits of the VIE entities that could be significant to the VIE entities. Accordingly, the Company is considered the primary beneficiary of the VIE entities and has consolidated the VIE entities' financial results of operations, assets and liabilities in the Company's consolidated financial statements. In making the conclusion that the Company is the primary beneficiary of the VIE entities, the Company believes the Company's rights under the terms of the Exclusive Equity Option Agreement provide it with a substantive kick out right. More specifically, the Company believes the terms of the Exclusive Equity Option Agreement are valid, binding and enforceable under PRC laws and regulations currently in effect. The Company also believes that the minimum amount of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for the Company to currently exercise its rights under the Exclusive Equity Option Agreement. The Company's rights under the Exclusive Equity Option Agreement give the Company the power to control the shareholders of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information and thus the power to direct the activities that most significantly impact the VIE entities' economic performance. In addition, the Company's rights under the Power of Attorney also reinforce the Company's abilities to direct the activities that most significantly impact the VIE entities' economic performance. The Company also believes that this ability to exercise control ensures that the VIE entities will continue to execute and renew the Exclusive Service Agreement and pay service fees to the Company. By charging service fees in whatever amounts the Company deems fit, and by ensuring that the Exclusive Service Agreements are executed and renewed indefinitely, the Company has the rights to receive substantially all of the economic benefits from the VIE entities.

Agreements that provide the Company effective control over the VIE entities

(1) Power of Attorney: Each registered shareholder of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information has executed a power of attorney agreement appointing Beijing iKang, Zhejiang iKang or Yuanhua WFOE to be the only and exclusive attorney, and irrevocably authorizing it to vote on each registered shareholders' behalf on all of the matters concerning the VIE entities, that may require shareholders' approval. The term of the power of attorney is perpetual and the contract can be terminated at the discretion of the wholly foreign owned enterprises (WFOEs).

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Agreements that provide the Company effective control over the VIE entities - continued

(2) Exclusive Equity Option Agreement: Beijing iKang, Zhejiang iKang and Yuanhua WFOE have the exclusive right to purchase the equity interests of the VIE entities from the registered legal equity owners at the lowest consideration allowed by PRC regulations as far as PRC regulations permit a transfer of legal ownership to foreign ownership. The term of the exclusive purchase right agreement is ten years and will be renewed on the expiration date by WFOEs and can be terminated at the discretion of the WFOEs.

(3) Spousal Consent Under the Spousal Consent letters: The spouse of each married registered shareholder of iKang Holding has signed a spousal consent letter, whereby the spouse agrees that (i) the equity interests of iKang Holding owned by such shareholder will be disposed of only in accordance with the applicable Exclusive Equity Option Agreement, Equity Interest Pledge Agreement, and other related agreements executed by the shareholder, (ii) such equity interests do not constitute communal property with such shareholder and (iii) the spouse irrevocably and unconditionally waives all rights and benefits with respect to such equity interests, including the right to sue in any court and under all applicable laws.

Agreements that transfer economic benefits to the Company

(1) Exclusive Services Agreement: Beijing iKang, Zhejiang iKang, Yuanhua WFOE and registered shareholders irrevocably agree that Beijing iKang, Zhejiang iKang and Yuanhua WFOE shall be the exclusive technology and consulting service provider to the VIE entities in return for a service fee as determined by Beijing iKang, Zhejiang iKang and Yuanhua WFOE up to the entire net profit of the VIE entities. The terms of the services agreement are ten years, respectively, and this agreement will be automatically renewed on applicable expiration dates, and the agreement can be terminated at the discretion of the WFOEs.

(2) Equity Interest Pledge Agreement: Shareholders of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information have pledged all of their equity interests in VIE entities with Beijing iKang, Zhejiang iKang and Yuanhua WFOE, and Beijing iKang, Zhejiang iKang and Yuanhua WFOE are entitled to the rights to sell the pledged equity interests if the VIE entities or the shareholders default in their obligations. The term of the pledge agreement is as long as the service agreement; and it can be terminated when the service agreement is terminated.

Through these contractual agreements, the Company has the ability to effectively control the VIE entities and is also able to receive substantially all the economic benefits of the VIE entities.

Risk in relation to the VIE structure

The Company believes that WFOE's contractual arrangements with the VIEs are in compliance with PRC law and are legally enforceable. The shareholders of iKang Holding are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of the VIEs were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so.

The Company's ability to control the VIE entities also depends on the power of attorney Beijing iKang, Zhejiang iKang and Yuanhua WFOE have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risk in relation to the VIE structure - continued

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the PRC government could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise,
- re-apply for the necessary licenses or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIE entities or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIE entities. The Group does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation of the Company, Beijing iKang, Zhejiang iKang,

Yuanhua WFOE or the VIEs.

The shareholders of the VIEs and the Company are as the following:

- (1) Mr. Lee Ligang Zhang and Mr. Boquan He are shareholders of the Company, who held 34.8% and 9.74% voting interest of the Company as of March 31, 2018, respectively. They own the equity interests in iKang Holding and iKang Hangzhou Xixi.
- (2) iKang Holding's shareholders are Mr. Lee Ligang Zhang and Mr. Boquan He, each of whom holds 50% of the equity interest in iKang Holding.
- (3) iKang Hangzhou Xixi's shareholders are iKang Holding and Yalong Daoyi, which hold 80% and 20% of the equity interest in iKang Hangzhou Xixi, respectively. Yalong Daoyi is wholly-owned by iKang Holding. Therefore, iKang Holding owns the 100% equity interest in iKang Hangzhou Xixi.
- (4) Beijing Jiandatong's shareholders is Mr. Haiqing Hu, who holds 80% of the equity interest in Beijing Jiandatong.
- (5) Yuanhua Information's shareholders are Mr. Haiqing Hu and Ms. Juan Tan, who hold 80% and 20% of the equity interest in Yuanhua Information, respectively.

The two shareholders of iKang Holding are directors and shareholders of the Company. One of them is the Company's CEO, and the managing director of the VIEs. Therefore they have no current interest in seeking to act contrary to the contractual arrangements. The interests of the VIEs shareholders may differ from the interests of the Company as a whole. The Company cannot assure that when conflicts of interest arise, the shareholders will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the shareholders of the VIEs may encounter in their capacity as the beneficial owners and director of the VIE entities, on the one hand, and as beneficial owners and directors or officer of the Company, on the other hand. The Company believes the shareholders of the VIEs will not act contrary to any of the contractual arrangements and the Exclusive Equity Option Agreement provides the Company with a mechanism to remove the shareholders as the beneficial shareholders of the VIEs should they act to the detriment of the Company. The Company relies on the VIEs' shareholders, as directors and officer of the Company, to fulfill their fiduciary duties and abide by laws of the PRC and BVI and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the VIEs' shareholders, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued***Risk in relation to the VIE structure - continued*

The following financial statements amounts and balances of the VIE entities were included in the accompanying consolidated financial statements as of and for the years ended March 31 (after inter-company elimination):

	As of March 31,	
	2017	2018
Cash and cash equivalents	\$ 49,222	\$ 52,868
Accounts receivable and other current assets	131,780	206,082
Amount due from related parties		6,794
Total current assets	181,002	265,744
Property and equipment, net	158,662	169,114
Acquired intangible assets, net	24,337	15,347
Other noncurrent assets	256,522	298,210
Total non-current assets	439,521	482,671
Total assets	620,523	748,415
Deferred revenues	57,361	87,388
Accounts payable and other current liabilities	201,260	314,094
Amount due to related parties		3,480
Total current liabilities	258,621	404,962
Total non-current liabilities	108,706	43,828
Total liabilities	367,327	448,790

	For the years ended March 31,		
	2016	2017	2018
Net revenues	\$ 330,391	\$ 379,606	\$ 514,141
Net income/(loss)	\$ 12,614	\$ (12,012)	\$ 3,508

For the years ended March 31,

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	2016	2017	2018
Net cash provided by operating activities	\$ 92,294	\$ 54,439	\$ 63,646
Net cash used in investing activities	\$ (239,274)	\$ (44,407)	\$ (22,276)
Net cash provided by (used in) financing activities	\$ 216,341	\$ (53,041)	\$ (37,724)

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risk in relation to the VIE structure - continued

For the years ended March 31, 2016, 2017 and 2018, the amounts charged to the VIEs and their subsidiaries by WOFEs related to the service fees was \$3,354, \$2,245 and \$3,326, respectively and was eliminated upon consolidation.

The VIE entities contributed an aggregate of 89.1%, 87.1% and 91.2% of the consolidated net revenues for the years ended March 31, 2016, 2017 and 2018, respectively. The Company's operations not conducted through contractual arrangements with the VIE entities primarily consist of its high-end health check services. As of the fiscal years ended March 31, 2017 and 2018, the VIE entities accounted for an aggregate of 85.2% and 86.5%, respectively, of the consolidated total assets, and 92.7% and 92.5%, respectively, of the consolidated total liabilities. The assets that were not associated with the VIE entities primarily consist of cash and cash equivalents, accounts receivable and prepaid expenses and other current assets.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests, that require the Company or its subsidiaries to provide financial support to the VIE entities. However, if the VIE entities ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE entities through loans to the shareholders of the VIEs or entrustment loans to the VIE entities. Relevant PRC laws and regulations restrict the VIE entities from transferring a portion of its net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 24 for disclosure of restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

The Group had negative working capital of approximately \$145,150 as of March 31, 2018, which was mainly attributable to the current liability balance associated with the convertible loans issued in December 2015, of which \$135,510 will become due during fiscal year 2018. Taking into consideration of the expected positive operating cash flows to be generated from operations by the Group, the undrawn available banking facilities and additional capital commitment from certain privatization investors whom have signed the amended and restated interim investors agreement with the Company and will provide such capital injection to the Company upon the completion of privatization proceeding, the Group is expected to obtain sufficient financial resource prior to the due date of the convertible loans. Therefore, management is of the opinion that the Group will be able to satisfy its liabilities as and when they become due, and accordingly, these consolidated financial statements are prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of iKang Guobin Healthcare Group Inc., its subsidiaries, its VIEs and its VIEs subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues, costs and expenses in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include allowance for doubtful accounts, the useful lives and impairment of property and equipment, purchase price allocation relating to business acquisitions, the useful lives and impairment of intangible assets, impairment of goodwill, impairment of long-term investments, valuation allowance for deferred tax assets, share-based compensation, interest accrual on long-term borrowings, fair value of long-term available-for-sale investments.

Business Acquisitions

Business combinations are recorded using the acquisition method of accounting. The purchase price of the acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred. Where the consideration in an acquisition includes contingent consideration and the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and have maturities of three months or less when purchased.

Restricted cash

Restricted cash mainly consists of the cash deposit denominated in U.S. dollar in overseas accounts used to collateralize the local borrowings in China to meet the Group's RMB funding needs, which is primarily to purchase property and equipment within China.

The balance of the restricted cash was \$392 and nil as of March 31, 2017 and 2018, respectively.

Term deposits

Term deposits consist of deposits placed with financial institutions with original maturity terms of greater than three months but less than one year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts receivable and allowance for doubtful accounts

Accounts receivable represents those receivables derived in the ordinary course of business. A general allowance for doubtful accounts is provided based on aging analyses of accounts receivable balances, historical bad debt rates, in addition to specific provisions established based on customers' repayment patterns and customer credit worthiness.

The Group decides to write off a receivable and the corresponding provision when events indicate that there is a remote chance that an account receivable can be collected, such as liquidation of a customer or termination of business cooperation.

Financial instruments

Financial instruments of the Group primarily consist of cash and cash equivalents, restricted cash, term deposits, accounts receivable, available-for-sale investments, amount due from/to related parties, accounts payable, short-term borrowings and long-term borrowings.

The carrying values of cash and cash equivalents, restricted cash, term deposits, accounts receivable, accounts payable, amounts due from/to related parties, and short-term borrowings approximate their fair values due to short-term maturities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or

received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis relating to financing arrangements included in the long-term borrowings.

Fair value measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value measurements - continued

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Group also measures certain assets, including long-term investments and intangible assets, at fair value on a nonrecurring basis when they are deemed to be impaired. The fair values of intangible assets are determined based on valuation techniques using the best information available, and may include management judgments, future performance projections, etc. An impairment charge to the intangible assets is recorded when their carrying amounts may not be recoverable.

Fair value of financial instruments is discussed in Note 18.

Significant risks and uncertainties

The Group operates in an industry with rapid changes in regulations, customer demand and competition and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations, or cash flows: advances and trends in healthcare industry standards, changes in certain strategic relationships or customer relationships, regulatory or other PRC related factors, risks associated with the Group's ability to keep and increase the customer base, and risks surrounding pending litigations.

Foreign currency risk

The Renminbi (RMB) is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market.

Cash and cash equivalents of the Group included aggregate amounts of \$57,553 and \$56,593 as of March 31, 2017 and 2018, respectively, which were denominated in RMB.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Group places their cash with financial institutions with high-credit ratings and quality.

The Group conducts credit evaluations of customers and generally do not require collateral or other security from their customers. No customer accounted for 10% or more of total revenues for the years ended March 31, 2016, 2017 and 2018, respectively. No customer accounted for 10% or more of accounts receivable as of March 31, 2017 and 2018, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are medical consumable supplies and are stated at the lower of cost or net realizable value. Inventories are written down for obsolescence to net realizable value based upon estimates of future demand and expiration date of inventories. The Group did not record a write-down of inventories for the years ended March 31, 2016, 2017 and 2018, respectively.

Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Computer equipment and application software	5 years
Furniture and fixtures	5 years
Medical equipment	10 years
Motor vehicles	5 years
Leasehold improvement	Shorter of useful life of the asset or the lease term

Construction in progress represents unfinished leasehold improvement and installment of equipment for new clinics. Construction in progress will be transferred to leasehold improvement or property and equipment when it is finished. Depreciation is recorded starting at the time when assets are ready for the intended use.

Intangible assets, net

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Intangible assets, other than goodwill, resulting from the acquisitions of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets acquired. Identifiable intangible assets are carried at cost less accumulated amortization. Amortization of customer relationship is computed using the estimated attrition pattern of the acquired customers, and amortization of other finite-lived intangible assets is computed using the straight-line method over the following estimated average useful lives, which are as follows:

	Weighted average (years)	Range (years)
Customer relationship	5.7	2.1~10.0
Non-compete agreements	3.0	2.0~3.0
Contract backlog	0.7	0.4~0.9
Operating licenses	3.0	0.3~5.0
Favorable lease contracts	7.1	1.4~9.8

The weighted average estimated average useful life of the intangible assets with determinable lives is 5.5 years.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets-indefinite lives

If an intangible asset is determined to have an indefinite life, it should not be amortized until its useful life is determined to be no longer indefinite. An intangible asset that is not subject to amortization is tested for impairment at least annually or if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of the fair values of assets with their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates.

Impairment of long-lived assets and intangible assets with definite life

Long-lived assets, such as property and equipment and definite-lived intangible assets are stated at cost less accumulated depreciation or amortization. Depreciation and amortization is computed using the straight-line method.

The Group evaluates the recoverability of long-lived assets, with determinable useful lives whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Group measures the carrying amount of long-lived assets against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

Goodwill

Goodwill represents the excess of the fair value of consideration paid over the fair value of identifiable net assets acquired in business combinations. Goodwill and intangible assets deemed to have indefinite useful lives are not amortized, but tested for impairment annually or more frequently if events and circumstances indicate that they might be impaired.

Goodwill is tested for impairment at the reporting unit level on an annual basis (March 31 for the Group) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the stock prices, business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimation of fair value of each reporting unit using a discounted cash flow methodology also requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the Group's business, estimation of the useful life over which cash flows will occur, and determination of the Group's weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

The Group did not incur any impairment loss on goodwill for the years ended March 31, 2016, 2017 and 2018, respectively.

Long-term investments

The Group's long-term investments consist of cost method investments, equity method investments and available-for-sale investments.

Cost method investments

For equity investments that are not considered to be equity securities that have readily determinable fair values and over which the Group has neither significant influence nor control through investment in common stock or in-substance common stock, the cost method is used.

Under the cost method, the Company carries the investment at cost and recognizes income to the extent of dividends received from the distribution of the equity investee's post-acquisition profits.

Equity method investments

The Group applies the equity method to account for an equity investment in common stock or in-substance common stock over which it has significant influence but does not own a majority equity interest or otherwise control. Significant influence is generally considered to exist when the Group has an ownership interest in the voting stock of the investee between 20% and 50%, and other factors, such as representation on the investee's board of directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

Under the equity method, the Group initially records its investment at cost and subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment.

The Group periodically reviews its investments in equity investees to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Group considers in its determination are the length of time that the fair value of the investment is below the Group's carrying value; the financial condition, operating performance and the prospects of the equity investee; and other Group specific information such as recent financing rounds. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity investee is written down to fair value. The Group estimated the fair value of these investee companies based on discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments - continued

Available-for-sale investments

Available-for-sale investments are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income.

Revenue recognition

The Group recognizes revenues when persuasive evidence of an arrangement exists, service has been provided, the sales price is fixed or determinable, and collectability is reasonably assured. The Group offers medical examination and disease screening services and renders such services at the request of its customers. The Group recognizes revenues when the examination reports are issued and passed to the local couriers if hard copy reports are required by its customers, or when the examination reports are uploaded on-line and can be viewed by the customers on-line if hard copy reports are not required. The Group notifies its customers when their examination reports are delivered to the local couriers or ready to be viewed and downloaded on line.

For individual customers, fees are collected before the performance of the services while corporate customers prepay a portion of service fees upon signing of the master contract, which is recorded as deferred revenue by the Group. All fees for services rendered are first charged against the corporate customer's deferred revenues until it is entirely exhausted before the Group starts to invoice the corporate customers. The Group records accounts receivables from its corporate customers when the examination reports of the employees of corporate customers have been delivered or uploaded on line but the Group has not received remaining payments from the corporate customers.

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When needed, the Group engages third-party providers to provide medical examination and disease screening services on behalf of the Group. The Group evaluates the services provided by third parties on behalf of the Group to determine whether to recognize the revenues on a gross or net basis. The determination is based upon an assessment as to whether the Group acts as a principal or agent when providing the services. All of the revenues involving third-party providers providing medical examination or disease screening services on behalf of the Group are currently accounted for on a gross basis since the Group is the primary obligor, has the latitude in establishing prices, discretion in third-party provider selection and the credit risks.

The Group also provides packages of bundled services principally comprising combinations of medical examination, disease screening, health consultation and medical concierge services to its corporate customers, which normally expire within one year from the date of purchase and does not include right of return. The Group allocates revenues from the sale of bundled services to each component using the relative selling price of each component based on the Group's best estimate. Revenue recognition criteria for components included in the bundled services is identical to as if the components are sold on a standalone basis.

The Group recognizes revenue from dental services when the service is rendered and the service fee is collectable.

Before the enforcement of value-added taxes (VAT) policy, revenue was stated net of business tax and related surcharges. The Group recorded \$2,692 and \$910 business tax and related surcharges for the years ended March 31, 2016 and 2017, respectively, and \$932 VAT related surcharges for the year ended March 31, 2018.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Value added tax (VAT)

On March 23, 2016, State Administration of Taxation launched Cai Shui [2016] No.36 (Circular 36), which takes effect starting May 1, 2016. In accordance with Circular 36, entities and individuals engaged in sales of services, intangible assets or real property within the territory of the People's Republic of China are value-added taxpayers, and shall pay VAT rather than business tax (BT) according to these Measures. With the effect of Circular 36, Pilot Program is repealed.

Pursuant to Circular 36, VAT exemption applies to medical services where all of the following conditions should be satisfied: (1) The medical institutions have obtained the Practice License for Medical Institutions in accordance with the Administrative Regulations on Medical Institutions of the State Council; (2) Medical services include the services which are listed in the Specifications for Pricing Items of National Medical Services; and (3) The price of medical services shall not be higher than the guiding prices for medical services set by competent price departments at or above the prefecture (city) level. Circular 36 becomes effective from May 1, 2016. In accordance with Circular 36, the Group's medical services is eligible for the aforesaid tax exemption conditions.

Non-monetary exchange

The Group occasionally exchanges medical examination services with advertising agencies for advertising credits. The amount of deferred revenues and prepaid expenses is based on the fair value of the medical examination services to be rendered which approximates the price the Group offers to the individual customers and is more readily determinable. The amounts of revenues recognized for non-monetary transactions were \$1,767, \$674, and \$1,046 for the years ended March 31, 2016, 2017 and 2018, respectively. Direct costs attributable to the revenues have been immaterial.

Cost of revenues

Cost of revenues consist of expenditures incurred in the generation of the Group's revenues, includes but not limited to salaries and welfare paid to physicians, nurses, purchase of medical consumables, depreciation and amortization, rental, and fees paid to third-party service providers.

Research and development expenses

Research and development expenses primarily consist of (i) salaries and benefits for research and development personnel, and (ii) office rental, general expenses and depreciation and amortization expenses associated with the research and development activities. The Group's research and development activities primarily consist of the research and development of its information technology platform. Research and development expenses are expensed when incurred.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics up to the period ended March 31, 2017. The Group adopted ASU 2015-17 on April 1, 2017 and classified all deferred tax assets and liabilities as non-current as of March 31, 2018. The Group did not retrospectively apply the changes to prior years.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended March 31, 2016, 2017 or 2018, respectively.

Share-based compensation

Share-based payment transactions with employees, such as share options are measured based on the grant date fair value of the equity instrument. The Group recognizes the compensation costs net of an estimated forfeiture rate using the graded vesting attribution method over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share compensation expense to be recognized in future periods.

Share awards issued to non-employees, such as advisors, are measured at fair value at the earlier of the commitment date or the date the service is completed and recognized over the period the service is provided.

Earnings (loss) per share

Basic earnings (loss) per common share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Earnings (loss) per share - continued

Diluted earnings per common share reflect the potential dilution that could occur if securities were exercised or converted into common shares. The Group has stock options, which could potentially dilute basic earnings per share. To calculate the number of shares for diluted income per share, the effect of the stock options is computed using the treasury stock method.

Foreign currency translation

The functional and reporting currency of the Company is the United States dollar (U.S. dollar). The financial records of the Group's subsidiaries and VIE entities located in the PRC are maintained in their local currencies, the RMB, which are also the functional currencies of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statement of operations.

The Group's entities with functional currency of RMB translate their operating results and financial positions into the U.S. dollar, the Group's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income (loss).

Comprehensive income (loss)

Comprehensive income (loss) includes net income (loss), cumulative foreign currency translation adjustments, unrealized gain (loss) in available-for-sale investments (net of tax effect), and is reported in the consolidated statement of changes in equity.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Operating leases

Leases where the risks and rewards of ownership of assets primarily remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease periods.

Newly adopted accounting pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued a new pronouncement Accounting Standard Update (ASU) 2015-17 which changes how deferred taxes are classified on organizations' balance sheets. The ASU eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments apply to all organizations that present a classified balance sheet. For public companies, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. This ASU may be applied prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. At April 1, 2017, the Group adopted ASU 2015-17 on a prospective basis and accordingly, presented all deferred tax assets and liabilities as noncurrent in the accompanying consolidated balance sheet as of March 31, 2018.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The new guidance simplifies certain aspects related to income taxes, statement of cash flows, and forfeitures when accounting for share-based payment transactions. Certain of the amendments related to timing of the recognition of tax benefits and tax withholding requirements should be applied using a modified retrospective transition method. Amendments related to the presentation of the statement of cash flows should be applied retrospectively. All other provisions may be applied on a prospective or modified retrospective basis. For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Group adopted this standard on April 1, 2017 and has elected to account for forfeitures by applying an estimated forfeiture rate to share-based compensation expense rather than as they occur. The adoption did not have impact on the Group's financial position or results of operations.

Newly issued accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration that a company expects to be entitled to in exchange for the goods or services. To achieve this principle, a company must apply five steps including identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the company satisfies the performance obligations. Additional quantitative and qualitative disclosure to enhance the understanding about the nature, amount, timing, and uncertainty of revenue and cash flows is also required. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing. ASU 2016-10 clarifies the following two aspects of ASU 2014-09: identifying performance obligations and licensing implementation guidance. The effective date of ASU 2016-10 is the same as the effective date of ASU 2014-09.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Newly issued accounting pronouncements not yet adopted - continued

The Group expects to adopt ASU 2014-09 utilizing the modified retrospective method in the first quarter of fiscal year 2018. The Group has substantially completed an assessment of the impacts of the new standard to its existing portfolio of customer contracts. The Group does not believe the adoption of ASU 2014-09 would have a material effect on its current revenue recognition policies.

In January 2016, the FASB issued a new pronouncement ASU 2016-01 Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The ASU also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. Adoption of the amendment must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, except for amendments related to equity instruments that do not have readily determinable fair values, which should be applied prospectively. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Newly issued accounting pronouncements not yet adopted - continued

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In August 2016, the FASB issued new pronouncements ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in this ASU provide guidance on the following specific cash flow issues such as: (1) Contingent Consideration Payments Made After a Business Combination; (2) Distributions Received from Equity Method Investees. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. An entity that elect early adoption must adopt all of the amendments in the same period. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Newly issued accounting pronouncements not yet adopted - continued

In November 2016, the FASB issued ASU 2016-18: Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this AUS do not provide a definition of restricted cash or restricted cash equivalents. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01: Business Combinations (Topic 805): Clarifying the Definition of a Business. The ASU requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments in this ASU (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. Public business entities should apply the amendments in this ASU to annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in this ASU is allowed. The amendments in this ASU should be applied prospectively on or after the effective date. No disclosures are required at transition. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04: Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this ASU on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. A public business entity that is a SEC filer should adopt the amendments in this ASU for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is in the process of evaluating the impact that this guidance will have on its

consolidated financial statements.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****3. ACQUISITIONS****(1) Acquisition of Beijing Bohui**

On May 20, 2016, the Group acquired 100% equity interest of Beijing Bohui and Beijing Zhongpu Bohui (collectively, Beijing Bohui), which provide medical examination services, with cash consideration of \$5,371. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful lives
Net tangible assets:		
Current assets	\$ 770	
Non-current assets	1,611	
Current liabilities	(2,135)	
Total	246	
Intangible assets acquired:		
Customer relationship	504	4.6 years
Operating license	61	2.6 years
Goodwill	4,777	
Deferred tax liability	(217)	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purpose.

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The operating results of the acquired business of Beijing Bohui have been included in the Group's consolidated financial statements since the date of acquisition. Beijing Bohui contributed net revenue of \$3,795 and \$5,448, and net income of \$1,382 and \$1,810 to the Group's consolidated statements of operations in the years ended March 31, 2017 and 2018, respectively.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****3. ACQUISITIONS - continued****(2) Acquisition of IMHealthcare and its subsidiaries**

On July 31, 2017, Shanghai Jianwei Management acquired 100% equity interest of IMHealthcare (Beijing) Technology Co., Ltd. (IMHealthcare) and its subsidiaries, which provides on-demand healthcare services, by exchanging the 35.06% of Shanghai Jianwei Management 's equity interests. The settlement was made on July 31, 2017 and the Group obtained control of the acquiree on July 31, 2017.

The transaction was accounted for as a business combination using the acquisition method of accounting. The purchase price of IMHealthcare was approximately \$2,930 based on the valuation result. The allocation on the acquisition date was determined by management with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful lives
Net tangible assets:		
Current assets	\$ 508	
Non-current assets	1,028	
Current liabilities	(1,385)	
Total	151	
Intangible assets acquired:		
Customer relationship	967	6.7 years
Trademark	238	Indefinite
Favorable Lease	4	1.4 years
Operating license	89	3.6 years
Goodwill	1,806	
Deferred tax liability	(325)	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the

acquisition. The acquired goodwill is not deductible for tax purpose.

The operating results of the acquired business of IMHealthcare and its subsidiaries have been included in the Group's consolidated financial statements since the date of acquisition. IMHealthcare and its subsidiaries contributed net revenue of \$2,024, and net income of \$101 to the Group's consolidated statements of operations in the year ended March 31, 2018.

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The following unaudited pro forma information summarizes the results of operations of the Group for the years ended March 31, 2016 and 2017 assuming that the acquisition of Beijing Bohui occurred as of April 1, 2015. The following pro forma financial information is not necessarily indicative of the results that would have occurred had the acquisitions been completed at the beginning of the periods indicated, nor is it indicative of future operating results:

	Years ended March 31,	
	2016	2017
	(Unaudited)	(Unaudited)
Pro forma net revenue	\$ 372,374	\$ 435,550
Pro forma net income/(loss) attributable to common shareholders of iKang Healthcare Group, Inc.	\$ 16,456	\$ (11,417)

The following unaudited pro forma information summarizes the results of operations of the Group for the years ended March 31, 2017 and 2018 assuming that the acquisition of IMHealthcare and its subsidiaries occurred as of April 1, 2016. The following pro forma financial information is not necessarily indicative of the results that would have occurred had the acquisitions been completed at the beginning of the periods indicated, nor is it indicative of future operating results:

	Years ended March 31,	
	2017	2018
	(Unaudited)	(Unaudited)
Pro forma net revenue	\$ 435,318	\$ 564,313
Pro forma net loss attributable to common shareholders of iKang Healthcare Group, Inc.	\$ (11,646)	\$ (17,296)

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Accounts receivable consists of the following:

	2017	As of March 31,	2018
Accounts receivable	\$ 93,837	\$	172,401
Less: allowance for doubtful accounts	14,261		23,142
Accounts receivable, net	\$ 79,576	\$	149,259

Movement of allowance for doubtful accounts is as follows:

	2016	As of March 31,	2018
		2017	
Balance at beginning of year	\$ 8,055	\$ 14,329	\$ 14,261
Charge to expenses	8,509	6,136	7,317
Write off	(1,822)	(5,170)	
Exchange difference	(413)	(1,034)	1,564
Balance at end of year	\$ 14,329	\$ 14,261	\$ 23,142

5. INVENTORIES

Inventories consist of the following:

	2017	As of March 31,	2018
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Medical consumable supplies	\$	6,781	\$	9,261
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Prepaid expenses and other current assets consist of the following:

	2017	As of March 31,	2018
Advance to suppliers	\$ 19,433	\$	28,366
Other receivable (1)	9,400		14,257
Staff advance	6,630		8,103
Prepaid rental expenses	8,744		8,454
Advance payments to acquisitions	3,322		4,524
Prepaid expenses (2)	2,067		2,974
Interest income receivable	140		261
	\$ 49,736	\$	66,939

(1) Other receivable mainly consist of VAT receivable and amounts receivable from independent third parties.

(2) Prepaid expenses mainly consist of amounts paid for professional fees and advertisement fees for which the related services have not been provided.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

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	As of March 31,	
	2017	2018
Medical equipment	\$ 119,654	\$ 144,685
Leasehold improvement	101,355	123,570
Computer equipment and application software	14,743	18,861
Furniture and fixtures	17,004	19,273
Motor vehicles	1,255	1,379
Construction in progress	195	242
Total cost	254,206	308,010
Less: accumulated depreciation and amortization	91,125	134,727
Property and equipment, net	\$ 163,081	\$ 173,283

Depreciation expenses charged to the consolidated statement of operations for the years ended March 31, 2016, 2017 and 2018 were \$19,625, \$27,560 and \$34,972, respectively.

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The gross carrying amount, accumulated amortization, impairment and net carrying amount of the intangible assets are as follows:

	2017	As of March 31,	2018
Acquired intangible assets not subject to amortization			
Trade-name	\$ 10,486	\$	11,721
Acquired intangible assets subject to amortization			
Customer relationship	36,913		41,077
Operating licenses	5,371		5,942
Favorable lease contracts	1,733		1,886
Contract backlog	79		87
Non-compete agreements	451		446
	55,033		61,159
Less: accumulated amortization			
Customer relationship	23,946		32,873
Operating licenses	3,277		3,988
Favorable lease contracts	1,043		1,350
Contract backlog	79		87
Non-compete agreements	451		446
Less: impairment	385		422
Intangible assets, net	\$ 25,852	\$	21,993

Amortization expenses for the years ended March 31, 2016, 2017 and 2018 were \$10,769, \$9,853 and \$7,210, respectively. Amortization expenses for the years ending March 31, 2019, 2020, 2021, 2022, 2023 and thereafter would be \$4,784, \$2,785, \$1,024, \$209, \$142 and \$839, respectively. No impairment loss was recognized on acquired intangible assets during the years ended March 31, 2016, 2017 and 2018, respectively. The change of impairment is caused by the exchange rate difference.

9. LONG-TERM INVESTMENTS

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The Group's long-term investments consist of cost method investments, equity method investments and available-for-sale investments.

	As of March 31,	
	2017	2018
Cost method investments (1)	\$ 46,724	\$ 50,626
Equity method investments (2)	127,233	138,330
Available-for-sale investments (3)	6,801	7,860
	\$ 180,758	\$ 196,816

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

9. LONG-TERM INVESTMENTS - continued

(1) Cost method investments

Pursuant to a co-operation agreement with shareholder of Xi'an Puhui Physical Examination Co., Ltd. (Xi'an Puhui) in November 2015, the Group invested 23.1% equity interest of Xi'an Puhui, which operates fifteen medical clinics in Xi'an, Zhengzhou and other six cities, with a cash consideration of approximately \$32,090. The transaction was closed in December 2015. The Group has no representative on Xi'an Puhui's board of directors and does not have the ability to exercise significant influence over the operating and financial policies of Xi'an Puhui. The Group used cost method to account for this investment.

In May 2015, the Group invested 1.8% equity interests of American Well Corporation (AW), a Delaware company with a cash consideration of approximately \$13,500. The Group used cost-method to account for the investment as the Group has no representative on AW's board of directors and does not have the ability to exercise significant influence over the operating and financial policies of AW.

In September 2015, March 2016, and October 2016, the Group acquired minority equity interests in several third-party private companies through investments in their common shares or in-substance common shares with cash consideration of \$2,000, \$993, \$232 respectively. The Group accounts for these investments under the cost method as the Group has no ability to exercise significant influence over the investees.

In December 2017, the Group sold and disposed two early-stage subsidiaries to a related party, Ningbo Meishan Bonded Port Area Aiyang Xingsheng Investment LLP (Aiyang Xingsheng Fund). After the transaction, the Group held 1% equity interest of each of these two entities, which was accounted for using cost method and the carrying value was at \$66 as of March 31, 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

9. LONG-TERM INVESTMENTS - continued

(2) Equity method investments

In September 2015, the Group invested \$10,372 cash to acquire 21.8% equity interest of Shenzhen Topsy Jianxin Technology Co., Ltd. (Topsy). The transaction was closed in October 2015. The Group has two out of five representations on Topsy's board of directors and has the ability to exercise significant influence over the operating and financial policies of Topsy. The Group accounted for this investment as equity method investment and recognized its share of loss of \$931 and \$315 for the years ended March 31, 2017 and 2018, respectively.

In December 2015, a share purchase agreement was signed by the Group and Worldcare International Inc., a worldwide medical institution providing innovative advisory services for various hospitals and medical organizations, pursuant to which the Group agreed to invest \$4,032 cash to acquire 20% equity interest. The transaction was closed in January 2016. The Group accounted for this investment as equity method investment because the Group has one out of five representations on the investee's board of directors and has the ability to exercise significant influence but does not have control over the investees. The Group accounted for this investment as equity method investment and recognized its share of loss of \$246 and \$142 for the years ended March 31, 2017 and 2018, respectively.

In February 2016, the Group completed a strategic investment in New China Life Insurance Health Investment Management Co., Ltd. (NCI Health), which was established by New China Life Insurance Co., Ltd. on December 13, 2012 and operates sixteen medical centers in 16 cities in China, with a total cash consideration of \$119,363. After the investment, the Group holds 45% equity interest in NCI Health. The Group has two out of five representations on NCI Health's board of directors and has the ability to exercise significant influence but does not have control over NCI Health and used the equity method to account for the investment. The Group recognized its share of loss of \$7,985 and \$1,536 for the years ended March 31, 2017 and 2018, respectively. NCI Health's audited financial statements for the year ended December 31, 2017 are included in this annual report in accordance with Regulation S-X Rule 3-09.

In December 2017, the Group, together with three other parties, entered into partnership agreement to establish AVIC Partnership, a limited partnership, to invest in the healthcare section, with total registered capital amounted to \$80,031 (equivalent to RMB502,000,000). Ligang Capital Investment (Shenzhen) Co. Ltd. (Ligang Capital), an entity owned by the Group's founder, also invested in the partnership as one of the general partners. The Group subscribed \$11,160 (equivalent to RMB70,000,000) as a junior limited partner, but had not made the capital contribution as of March 31, 2018.

The Group signed agreements with AVIC Partnership in December 2017 to sell 25% of its equity interest in NCI Health to AVIC Partnership for a total consideration of \$ 65,321 (equivalent to RMB 425,000,000). The Company will purchase back the 25% equity interest in NCI Health in three years at the above purchase price plus interest at an annual rate of 10%. The above transaction did not have any impact over the Company's voting right on NCI Health, and the Company still had the ability to exercise significant influence of NCI Health. The transaction was a financing arrangement and the Company continued to account for its investment in NCI Health as equity investment with 45% equity interest holdings in NCI Health for the year ended March 31, 2018. (Please refer to Note 13.a).

The Group purchased 40% equity interest of Beijing Minzhong Clinic Co., Ltd. (Beijing MZ) with a total cash consideration of \$12,407. The transaction was closed in March 2016. The Group has one out of three representations on Beijing MZ's board of directors and has the ability to exercise significant influence but does not have control over Beijing MZ and used the equity method to account for the investment. The Group recognized its share of loss of \$385 and \$455 for the years ended March 31, 2017 and 2018.

In August 2016, the Group invested 49% equity interest of Shanghai Changqingshu Health Management Co., Ltd. (Changqingshu) with a total cash consideration of \$712. The transaction was closed in November 2016. The Group has two out of five representations on Changqingshu's board of directors and has the ability to exercise significant influence over the operating and financial policies of Changqingshu but does not have control over Changqingshu and used the equity method to account for the investment. The Group did not recognize its share of income or loss for the years ended March 31, 2017 and 2018 as they were immaterial.

In December 2017, the Group invested \$768 cash to acquire 9.96% equity interest of Aiyang Xingsheng Fund, as a junior limited partner. Ligang Capital, an entity owned by the Group's founder serves as one of the general partners of Aiyang Xingsheng Fund. The other general partner of Aiyang Xingsheng Fund is a related party of the preferred limited partner to Aiyang Xingsheng Fund whom holds veto power on investment decisions made by the Investment Committee of Aiyang Xingsheng Fund. The Group does not have control over Aiyang Xingsheng Fund and used equity method to account for the investment. The Group did not recognize its share of loss for the year ended March 31, 2018 as it was immaterial.

In part of the investment on Aiyang Xingsheng Fund, medical centers owned and operated by Aiyang Xingsheng Fund will be transferred to the Group firstly or other third parties at tentative agreed price equals to its original costs plus an annual rate of 15% or the price then agreed by partners of Aiyang Xingsheng Fund during the exit period.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****9. LONG-TERM INVESTMENTS - continued****(2) Equity method investments - continued**

The Group summarizes the condensed financial information below for the Group's equity method investments as a group in accordance with Rule 4-08 of Regulation S-X. The summarized financial information of the equity method investments were as follows:

		2017	As of March 31,	2018
Current assets	\$	166,991	\$	179,377
Non-current assets		32,205		30,562
Current liabilities		35,167		39,094
Non-current liabilities		135		64

		2016	For the years ended March 31,	2017	2018
Total revenues	\$	52,185	\$	56,253	\$ 65,771
Gross profit		16,580		17,503	21,803
Loss from operations		(23,094)		(23,070)	(19,794)
Net loss		(23,181)		(22,657)	(5,399)

(3) Available-for-sale investments

In June 2015, the Group acquired 20% equity interest in Shanghai Shenmin Medical Technology Company Limited, with a cash consideration of \$1,897, which is a medical technology company incorporated under the laws of the PRC. The investment was classified as available-for-sale investments since it can be redeemed at the option of the Group once the redeemable events occurred and measured subsequently at fair value. The change in fair value are recorded in other comprehensive income. There was no unrealized gain or loss recognized for the years ended March 31, 2017 and 2018.

In June 2015, the Group invested \$5,000 in China Medonline Inc. (HDF), a company engaged in providing on-line medical services, for 1% equity ownership interests on an as-converted basis. The investment was classified as available-for-sale investments since it can be redeemed at the option of the Group once the redeemable events occurred, and measured subsequently at fair value. \$161 unrealized loss and \$885 unrealized gain, net of tax, were recorded in other comprehensive income for the years ended March 31, 2017 and 2018, respectively.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****10. GOODWILL**

The changes in carrying amounts of goodwill for the years ended March 31, 2017 and 2018 were as follows:

	2017	As of March 31,	2018
Beginning balance	\$ 134,239	\$	132,637
Additions for the year by acquisitions of			
Beijing Bohui	4,777		
IMHealthcare and its subsidiaries			1,806
Disposal for the year			
Changchun iKang Guobin Jiachang General Clinic Co., Ltd. (Changchun Jiachang)			(399)
Impairment loss:	(25,400)		(25,400)
Exchange difference	(6,379)		9,351
Goodwill	\$ 107,237	\$	117,995

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	2017	As of March 31,	2018
Accrued payroll and welfare	\$ 13,391	\$	22,537
Acquisitions consideration payable (1)	6,436		5,719
Interest expense payable	13,116		8,633
Other taxes payable	4,209		7,378
Accrued rental expense	6,640		7,330
Accrued social insurance	3,650		4,018
Accrued professional fee	3,196		4,556

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Accrued outsourcing cost	1,892	3,465
Dividend payable (2)	279	
Other payables	6,469	12,950
	\$ 59,278	\$ 76,586

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(1) A acquisitions consideration payable consists of remaining payables to sellers of the acquired business for the years ended March 31, 2017 and 2018, which were as follows:

	2017	As of March 31, 2018
Beijing Tianzhikangjian	1,714	1,881
Xi'an iKang Guobin	2,626	1,196
Yantai Hongkang	718	748
Fujian iKang		461
Others (i)	1,378	1,433
	\$ 6,436	\$ 5,719

(i) Others consist of a number of individually insignificant acquisitions made in prior years.

(2) As of March 31, 2017, the balance represents the dividend payable for the non-controlling interest shareholder of MediFast which is paid in fiscal year ended March 31, 2018.

12. SHORT-TERM BORROWINGS

	2017	As of March 31, 2018
Bank borrowings (1)	\$ 38,659	\$ 58,373
Long-term loans due within one year (2)	72,640	138,077
	\$ 111,299	\$ 196,450

(1) Bank borrowings

a. In December 2015, iKang Holding entered into multiple two-year loan framework agreements with China Merchants Bank totaling RMB104,600,000 (equivalent to \$15,198) to satisfy its daily operation needs. Each of the loans bear interest at a rate of 4.75% per annum. During fiscal years ended March 31, 2017 and 2018, the Group repaid RMB43,500,000 (equivalent to \$6,249) and RMB61,100,000 (equivalent to \$9,602). As of March 31, 2017 and 2018, the Group has RMB61,100,000 (equivalent to \$8,877) and nil bank borrowings outstanding, respectively.

b. In June 2016, iKang Holding entered into multiple two-year loan framework agreements with Industrial and Commercial Bank of China totaling RMB40,000,000 (equivalent to \$5,811) to satisfy the daily operation needs. Each of the loan bears interest at a rate of 4.35%. During fiscal year ended March 31, 2018, the Group repaid RMB40,000,000 (equivalent to \$6,377). As of March 31, 2017 and 2018, the Group has RMB40,000,000 (equivalent to \$5,811) and nil bank borrowings outstanding, respectively.

c. In September 2016, iKang Holding entered into a two-year loan framework agreements with China Merchants Bank totaling RMB15,000,000 (equivalent to \$2,179) to satisfy the daily operation needs. The annual interest rate is 4.75%. During fiscal year ended March 31, 2018, the Group repaid RMB15,000,000 (equivalent to \$2,391). The balance of this short-term borrowing were RMB15,000,000 (equivalent to \$2,179) and nil as of March 31, 2017 and 2018, respectively.

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12. SHORT-TERM BORROWINGS - continued

(1) Bank borrowings - continued

d. In December 2016, iKang Holding entered into a two-year loan framework agreements with Industrial Bank Co., Ltd. totaling RMB100,000,000 (equivalent to \$14,528) to satisfy the daily operation needs. The annual interest rate is 4.35%. During fiscal year ended March 31, 2018, the Group repaid RMB100,000,000 (equivalent to \$15,942). As of March 31, 2017 and 2018, the Group has RMB100,000,000 (equivalent to \$14,528) and nil bank borrowings outstanding, respectively.

e. In December 2016, iKang Holding entered into a two-year loan framework agreements with Hongkong and Shanghai Banking Corporation Limited RMB50,000,000 (equivalent to \$7,264) to satisfy the daily operation needs. The annual interest rate is 4.35%. During fiscal years ended March 31, 2017 and 2018, the Group repaid RMB20,00,000 (equivalent to \$2,906) and RMB30,000,000 (equivalent to \$4,783). As of March 31, 2017 and 2018, the Group has RMB30,000,000 (equivalent to \$4,358) and nil bank borrowings outstanding, respectively.

f. In March 2017, iKang Holding entered into a two-year loan framework agreements with Bank of China RMB20,000,000 (equivalent to \$2,906) to satisfy the daily operation needs. The annual interest rate is 4.35%. During fiscal year ended March 31, 2018, the Group repaid RMB20,000,000 (equivalent to \$3,188). As of March 31, 2017 and 2018, the Group has RMB20,000,000 (equivalent to \$2,906) and nil bank borrowings outstanding, respectively.

g. In June 2017, iKang Holding entered into a one-year loan framework agreement to obtain a short-term borrowing facility totaling RMB20,000,000 (equivalent to \$3,188) with Industrial and Commercial Bank of China to satisfy the daily operation needs, of which RMB20,000,000 (equivalent to \$3,188) was drawn down in June 2017. The loan bears interest at a rate of 4.35% per annum with a maturity date of June 15, 2018. As of March 31, 2018, the outstanding balance of this short-term borrowing was RMB20,000,000 (equivalent to \$3,188).

- h. In April 2017, iKang Holding entered into a one-year loan framework agreement to obtain a short-term borrowing facility totaling RMB100,000,000 (equivalent to \$15,942) with China Minsheng Bank to satisfy the daily operation needs, of which RMB47,055,000 (equivalent to \$7,502) was drawn down in August 2017. The loan bears interest at a rate of 5.00% per annum with a maturity date on August 7, 2018. As of March 31, 2018, the outstanding balance of this short-term borrowing was RMB47,055,000 (equivalent to \$7,502).
- i. In November 2017, iKang Holding entered into a one-year loan framework agreement of RMB100,000,000 (equivalent to \$15,942) with Industrial Bank Co., Ltd. to satisfy the daily operation needs. The loan bears interest at a rate of 4.83% per annum with a maturity date on November 28, 2018. As of March 31, 2018, the balance of this short-term borrowing was RMB100,000,000 (equivalent to \$15,942).
- j. In December 2017, iKang Holding entered into a one-year loan framework agreement to obtain a short-term borrowing facility totaling RMB30,000,000 (equivalent to \$4,783) with the Hongkong and Shanghai Banking Corporation Limited to satisfy the daily operation needs, of which RMB29,100,000 (equivalent to \$4,639) was drawn down in December 2017. The loan bears interest at a rate of 4.79% per annum with a maturity date on December 6, 2018. As of March 31, 2018, the outstanding balance of this short-term borrowing was RMB29,100,000 (equivalent to \$4,639).
- k. In December 2017, iKang Holding entered into a one-year loan framework agreement to obtain a short-term borrowing facility totaling RMB200,000,000 (equivalent to \$31,884) with China Merchants Bank to satisfy the daily operation needs, of which RMB100,000,000 (equivalent to \$15,942) and RMB50,000,000 (equivalent to \$7,972) were drawn down in December 2017 and January 2018, respectively. Both of the two loans bear interest at a rate of 4.57% per annum with a maturity date on June 5, 2018 and January 8, 2019, respectively. As of March 31, 2018, the outstanding balance of these short-term borrowings were RMB150,000,000 (equivalent to \$23,914).
- l. In March 2018, iKang Holding entered into a one-year loan framework agreement of RMB20,000,000 (equivalent to \$3,188) with Industrial Bank Co., Ltd. to satisfy the daily operation needs. The loan bears interest at a rate of 5.00% per annum with a maturity date on March 29, 2019. As of March 31, 2018, the balance of this short-term borrowing was RMB20,000,000 (equivalent to \$3,188).

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12. SHORT-TERM BORROWINGS - continued

(1) Bank borrowings - continued

The above amount of short-term borrowing remained outstanding, which amounted to \$38,659 and \$58,373 as of March 31, 2017 and 2018, respectively.

Interest expense incurred for the years ended March 31, 2016, 2017 and 2018 was \$1,734 and \$1,725 and \$2,517, respectively. The weighted average effective interest rate for the years ended March 31, 2016, 2017 and 2018 was 3.3%, 4.2% and 4.54%, respectively.

(2) Long-term loans due within one year

a. In December 2015, iKang Holding entered into a series of agreements to issue long-term loans with principal amount totaling \$203,393 (equivalent to RMB1,400,000,000) to four third-party investors (bond holders) with terms varying from eighteen months to thirty-six months.

The agreement stipulate that if the Group successfully completes the privatization before the maturity date of the long-term loans, and the bond holders decide to convert the loans into the future listing vehicle s shares, no interest will be charged; however, if the bond holders decide not to convert, the interest rate will be at 5% or 8% (was originally 20%, amended to 8% subsequently in January 2017). Furthermore, if the privatization is not completed before the maturity date of the long-term loans, or the Group fails to put their best effort to facilitate the bond holder conversion of the loan into the future listing vehicle s shares, the interest rate will be at 8% or 10% (was originally 5%, amended to 10% subsequently in December 2017). Interest rates of 8% and 10% were applied to accrue the interest expenses for above long-term loans for the year ended March 31, 2018, respectively.

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Interest expense incurred for the years ended March 31, 2016, 2017 and 2018 was \$2,869, \$11,768 and \$17,317, respectively. The effective interest rate for the year ended March 31, 2018 was 11.1%.

Loan amount of \$29,056 (equivalent to RMB200,000,000) was repaid in the year ended March 31, 2017, and \$52,808 (equivalent to RMB350,000,000) was repaid during the year ended March 31, 2018. As of March 31, 2018, all the remaining outstanding loan amount of \$135,510 (equivalent to RMB 850,000,000) was classified to short-term borrowings as the loans become due in three tranches in December 2018, January 2019 and March 2019, respectively.

b. In November 2017, two of the Group's wholly-owned subsidiaries entered into medical equipment sale-leaseback agreements as financial lease arrangement with Guiyang GYB Financial Leasing Co., Ltd.. Please refer to Note 13b for details.

As of March 31, 2018, the lease payment due within 1 year amounted to \$2,567, which was included in short-term borrowings.

The carrying values of short-term borrowings approximate their fair values due to its short-term maturities.

13. LONG-TERM BORROWINGS

	As of March 31,	
	2017	2018
Long-term loans	\$ 101,697	\$ 38,884
	\$ 101,697	\$ 38,884

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13. LONG-TERM BORROWINGS - continued

a. Based on the agreements signed with AVIC Partnership, cash consideration of \$65,321 (equivalent to RMB425,000,000) was raised through the financing arrangement related to NCI Health. As of March 31, 2018, the Company received partial amount of \$31,886 (equivalent to RMB200,000,000) from AVIC Partnership and recorded it as long-term borrowings. Please refer to Note 9 (2).

The effective interest rate for the year ended March 31, 2018 was 10.5%, and the interest expense incurred for the year ended March 31, 2018 was \$199.

b. In November 2017, two of the Group's wholly-owned subsidiaries entered into medical equipment sale-leaseback agreements (the Agreements) with a third party, Guiyang GYB Financial Leasing Co., Ltd. (the Lessor). According to the Agreements:

- The Group sold certain medical equipment to the Lessor at cash proceeds of \$9,565 (equivalent to RMB60,000,000) on November 27, 2017, and recognized a loss of \$908 (equivalent to RMB6,004,400) as the carrying value of these medical equipment was less than the cash proceeds;
- The Group agreed to lease back these equipment in 45 months upon signing the Agreements;
- The principal amount will be paid semi-annually during the lease period;

- Interest expenses are accrued and paid to the Lessor on a quarterly basis, at effective interest rate of 6.65% per annum. The total interest expenses incurred for the year ended March 31, 2018 was \$158;
- At the end of the lease term, the Group will repurchase this same equipment, at a bargain purchase price.

As of March 31, 2018, total amount of \$6,998 was recorded as long-term borrowings, and \$2,567 for the financing lease payment due within one year was classified as short-term borrowings.

The fair value of the long-term loans as of March 31, 2017 and 2018 was \$101,697 and 38,884, respectively.

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14. INCOME TAXES

Cayman Islands

The Company is a tax-exempted company incorporated in the Cayman Islands and is not subject to tax on income or capital gains.

British Virgin Islands (BVI)

The iKang Guobin and iKang Zhejiang BVI are exempted from income tax in BVI, where they are incorporated.

Hong Kong

Bayley & Jackson (Hong Kong), Yuanhua HK, MediFast and WA Health Care are subject to Hong Kong Profits Tax at 16.5% on its activities conducted in Hong Kong.

PRC

Since January 1, 2008, the Company's PRC subsidiaries, iKang Holding and its subsidiaries are subject to the 25% standard enterprise income tax (EIT).

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According to Catalogue of Industries Encouraged to Develop in the Western Region announced by the State Administration of Taxation, Chengdu iKang Guobin Health Examination Hospital Co., Ltd. (iKang Chengdu Waishuangnan), Chengdu Jinjiang iKang General Clinic Co., Ltd., Chengdu Gaoxin iKang West City, Chengdu Ommay, Chongqing Aibin Clinic Co., Ltd. (iKang Chongqing), iKang Chongqing Zhuoyue, Chongqing Aibin Xinkang Clinic Co., Ltd., iKang Yinchuan Ciming, Yinchuan Clinic, Guizhou Wishstar, Kaili iKang Guobin Medical Examination Management Co., Ltd., Bijie iKang Guobin Medical Examination Management Co., Ltd., Xi'an iKang Guobin, Xi'an Lianhu Yinglun, Xi'an Qujiang iKang Guobin Clinic Co., Ltd., Xi'an Weiyang iKang Guobin Clinic Co., Ltd., were recognized as encouraged entities by relevant PRC government authorities at various dates from calendar years 2014 to 2017, and entitled to a preferential tax rate of 15%. According to the application on preferential tax rate of these entities have been filed with the relevant local tax authorities, the above entities are qualified as encouraged entities and entitled to the preferential tax rate of 15% going forward.

Shenzhen iKang Guobin Puji Clinic Co., Ltd., iKang Shenzhen Luohu and Shenzhen iKang Guobin Xinglin Clinic Co., Ltd. are subject to individual income tax rate of 35% due to regulations set by the relevant local tax authorities.

Enterprises that qualify as the newly established software enterprise (NESE) are exempt from EIT for two years beginning the enterprise's first profitable year followed by a tax rate of 12.5% for the succeeding three years. iKang Health Cloud enjoyed the EIT tax benefit that began from June 2015. Preferential tax rate policy applied by iKang Health Cloud has been filed to the relevant local tax authorities before annual filing.

Under the EIT Law and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the beneficial owner and directly holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman, where the Company is incorporated, does not have a tax treaty with PRC.

Since January 1, 2008, the relevant local tax authorities of the Group's subsidiaries have not conducted a tax examination on the Group's PRC entities. In accordance with relevant PRC tax administration laws, tax years from 2013 to 2017 of the Group's PRC subsidiaries and VIE entities, remain subject to tax audits as of December 31, 2017, at the relevant local tax authorities' discretion.

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14. INCOME TAXES - continued

PRC - continued

Aggregate undistributed earnings of the Company's subsidiaries located in the PRC that are available for distribution to the Company are approximately \$54,486 as of March 31, 2018. The undistributed earnings of the Company's subsidiaries located in the PRC are considered to be indefinitely reinvested, because the Group does not have any present plan to pay any cash dividends on its common shares in the foreseeable future and intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability has been accrued for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company as of March 31, 2018.

Aggregate undistributed earnings of the Company's VIEs and its VIEs' subsidiaries located in the PRC that are available for distribution to the Company were approximately \$219,890 as of March 31, 2018. A deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amount in domestic subsidiaries. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered China residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income taxes, at a rate of 25%.

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The current and deferred portions of income tax expenses included in the consolidated statements of operations, which were attributable to the Group's PRC subsidiaries and VIE entities, are as follows:

	2016	Years ended March 31, 2017	2018
Current tax expenses	\$ 13,778	\$ 16,057	\$ 21,150
Deferred tax benefits	(7,940)	(12,703)	(14,359)
Income tax expenses	\$ 5,838	\$ 3,354	\$ 6,791

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The principal components of the deferred income tax assets and liabilities are as follows:

The Group adopted ASU 2015-17 in the beginning of the current year, and the Group did not retrospectively apply the changes to prior year.

	2017	As of March 31,	2018
Current deferred tax assets:			
Accrued expenses	\$	3,218	\$
Accrued payroll		3,302	
Allowance for doubtful accounts		3,278	
Less: Valuation allowance		(163)	
Current deferred tax assets	\$	9,635	\$
Non-current deferred tax assets:			
Accrued expenses	\$		\$ 3,584
Accrued payroll			4,177
Allowance for doubtful accounts			5,885
Depreciation and amortization		322	53
Impairment of long-lived assets		44	36
Net operating tax loss carry-forwards		19,571	30,438
Less: Valuation allowance		(3,239)	(4,793)
Non-current deferred tax assets	\$	16,698	\$ 39,380

	2017	As of March 31,	2018
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Non-current deferred tax liabilities:			
Intangible assets	\$	7,229	\$ 5,917
Non-current deferred tax liabilities	\$	7,229	\$ 5,917

The Group considers the following factors, among other matters, when determining whether some portion or all of the deferred tax assets will more likely than not be realized: the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Group's experience with tax attributes expiring unused and tax planning alternatives. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law.

Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****14. INCOME TAXES - continued***PRC - continued*

As of March 31, 2018, the Group's PRC subsidiaries, VIEs and VIEs' subsidiaries had a tax loss carry-forward amounted to \$111,189 and would expire on various dates between December 31, 2018 and December 31, 2023. The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIE entities may not be used to offset other subsidiaries' or VIE entities' earnings within the Group. Valuation allowance is considered on each individual subsidiary and legal entity basis. Valuation allowances have been established in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

Reconciliation between the expense of income taxes computed by applying the PRC tax rate to income before income taxes and the actual provision for income taxes is as follows:

	For the years ended March 31,		
	2016	2017	2018
Income before provision for income taxes and income/(loss) from equity method investments	\$ 24,058	\$ 357	\$ (7,437)
PRC statutory tax rate	25%	25%	25%
Income tax at statutory tax rate	6,015	89	(1,859)
Change in valuation allowance	(726)	1,500	1,391
Expenses not deductible for tax purposes	1,565	3,162	2,298
Effect of income tax rate difference for entities under individual income tax rate of 35%	714	295	496
Effect of income tax rate differences in other jurisdictions	968	2,072	10,685
Tax holidays and preferential tax rates	(2,698)	(3,764)	(6,220)
Income tax expenses	\$ 5,838	\$ 3,354	\$ 6,791

The Group did not identify significant unrecognized tax benefits for the years ended March 31, 2016, 2017 and 2018, respectively. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also believed that uncertainty in income taxes did not have a significant impact on the unrecognized tax benefits within next twelve months.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

15. COMMON SHARE

Before the completion of the IPO in April 2014, the Class A and Class B common shares were owned by Mr. Lee Ligang Zhang, his spouse and other shareholders. Immediately prior to the completion of the IPO, Class B common shares were automatically converted into Class A common shares on a one-for-one basis and 805,100 of the Group's outstanding Class A common shares held by Time Intelligent Finance Limited were redesignated into Class C common shares. According to the Company's Amended and Restated Articles of Association which became effective upon the completion of the IPO, the Company currently has two classes of authorized ordinary shares, Class A common shares and Class C common shares.

All Class C common shares are held by Time Intelligent Finance Limited and beneficially owned by Mr. Lee Ligang Zhang's family trust. The rights of the holders of Class A and Class C common shares are identical, except with respect to voting and conversion rights. Each Class A common share is entitled to one vote per share, while each Class C common share is entitled to 15 votes per share and is convertible at any time into one Class A common share. Holders of Class A and Class C common shares shall at all times vote together as one class on all matters subject to a shareholders' vote.

On April 9, 2014, the Company completed its IPO in NASDAQ and a concurrent private placement. The Company issued 5,215,794 Class A ordinary shares, consisting of (i) 3,787,223 Class A common shares offered through IPO, and (ii) 1,428,571 Class A common shares issued in connection with the concurrent private placement. All of the Company's preferred shares were automatically converted into 20,781,515 Class A common shares.

On May 9, 2014, the Company issued an additional 514,556 Class A common shares to the investment bankers for exercising the Green Shoe option.

On December 2, 2015, the Board of Directors of the Group adopted a rights agreement, commonly referred to as a poison pill, and authorized the issuance of one Right for each outstanding Class A Common Share and Class C Common Share (the Rights Plan). The Rights Plan is intended to deter hostile or coercive attempts to acquire the Company. The Rights Plan enables shareholders to acquire shares of the Company's common shares, at a substantial discount to the public market price should any person or group acquire more than 10% of the Company's common shares. No common shares were issued under the Rights Plan.

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On November 28, 2016, the Board of Directors of the Company unanimously approved the extension of its Rights Plan, formerly scheduled to expire on December 2, 2016, for another year, which ended on December 2, 2017.

39,648,485 common shares were authorized and 34,721,539 common shares were issued and outstanding as of March 31, 2017 and 2018 respectively.

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The calculation of net income (loss) per share is as follows:

	For the years ended March 31,		
	2016	2017	2018
Numerator:			
Net income/(loss) attributable to iKang Guobin Healthcare Group, Inc	\$ 18,325	\$ (11,251)	\$ (17,309)
Net income/(loss) attributed to common shareholders for computing net income per common share- basic and diluted	18,325	\$ (11,251)	\$ (17,309)
Denominator:			
Weighted average shares outstanding used in computing diluted net income per common share			
Basic	33,583,005	34,060,579	34,295,160
Diluted	34,235,542	34,060,579	34,295,160
Net income/(loss) per common share attributable to common shareholders of iKang Healthcare Group, Inc.			
Basic	\$ 0.55	\$ (0.33)	\$ (0.50)
Diluted	\$ 0.54	\$ (0.33)	\$ (0.50)

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IKANG HEALTHCARE GROUP, INC.

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FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

17. SHARE-BASED COMPENSATION

On February 26, 2013, the BOD made a resolution and approved to set up the 2013 February Plan to grant the maximum of 1,249,000 options to the Grantee. The 2013 February Plan shall be effective as of the date of its approval by the BOD. On February 27, 2017, 1,249,000 options were granted, among which 38,485 options were forfeited subsequently due to employee termination or resignation and back to the option pool.

On March 1, 2014, the BOD made a resolution and planned to set up the 2014 Plan to grant the maximum of 1,620,000 options to the management and employees. The 2014 Plan shall be effective as of the date of its approval by the BOD. Amended on June 30, 2014, the directors of the Company passed a resolution that among the 1,620,000 Class A common shares reserved for issuance, 810,000 Class A common shares with an exercise price of US\$12.8902 per share may be granted and 810,000 Class A common shares with an exercise price equivalent to the offering price of the Company's Class A common shares in its initial public offering (IPO). Additionally, the exercise price per share under an option granted to an U.S. citizenship shall not be less than the fair market value of a share - \$32.92 on the date of grant of such Option. On December, 2016, the Compensation Committee passed a resolution to adjust the exercise price for all the 1,620,000 options under 2014 Plan to US\$12.8902 per share.

The Group's Board of Directors has approved the Company to grant various tranches of options to its management and consultants since its inception. Option grants for the years ended March 31, 2016, 2017 and 2018 are as the following:

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

17. SHARE-BASED COMPENSATION - continued

On February 28, 2018, the Company granted 1,658,485 options with exercise price of \$12.89 per share to the PRC citizen and \$32.92 per share to the US citizen to certain of its management and employees, of which 1,571,884 options were vested and exercisable on the grant date, and the remaining 86,601 options have a vesting period varies from 1 month to 4 years.

The following table summarizes information regarding options granted:

	For the years ended March 31,								
	2016	2016	2016	2017	2017	2017	2018	2018	2018
	Number of	Weighted	Weighted	Number of	Weighted	Weighted	Number of	Weighted	Weighted
	options	average	average	options	average	average	options	average	average
		exercise	fair value		exercise	fair value		exercise	fair value
		price per	per option		price per	per option		price per	per option
		option	at grant date		option	at grant date		option	at grant date
Outstanding on April 1 of year	1,900,479	6.63	12.36	889,174	5.15	10.02	612,724	5.29	10.93
Granted							1,658,485	13.01	21.30
Exercised	(995,255)	7.97	14.29	(274,565)	4.83	7.89	(242,834)	5.46	10.44
Forfeited	(16,050)	5.38	22.25	(1,885)	5.19	23.93	(9,650)	5.51	20.50
Outstanding on March 31 of year	889,174	5.15	10.02	612,724	5.29	10.93	2,018,725	11.61	19.46

The following table summarizes information with respect to share options outstanding as of March 31, 2018:

Range of exercise price	Number outstanding	Option outstanding			Aggregate intrinsic values as of March 31, 2018	Number exercisable	Option exercisable	
		Weighted average remaining contractual life in years	Weighted average Exercise price per option	Aggregate intrinsic values as of March 31, 2018			Weighted average Exercise price per option	Aggregate intrinsic values as of March 31, 2018
\$ 5.13	343,990	4.98	\$ 5.13	11,968	343,990	\$ 5.13	11,968	

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\$	6.00	16,250	6.01	\$	6.00	544	16,250	\$	6.00	544
\$	12.89	1,648,485	9.92	\$	12.89	44,525	1,561,884	\$	12.89	42,186
\$	32.92	10,000	9.92	\$	32.92	70	10,000	\$	32.92	70
		2,018,725				\$ 57,107	1,932,124			\$ 54,768

There were 1,932,124 vested options, and 86,601 options expected to vest as of March 31, 2018. For options expected to vest, the weighted-average exercise price is \$12.89 and aggregate intrinsic value is \$2,339 as of March 31, 2018.

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The fair value of each option granted was estimated on the date of grant using the binomial tree pricing model with the following assumptions used for grants during the applicable periods:

	Risk-free interest rate of return	Contractual term	Volatility	Dividend yield	Exercise price
December 31, 2010	4.67%	10 years	40.90%		5.13
June 8, 2011	1.11%	2.39 years	42.00%		0.01
February 17, 2012	2.99%	10 years	41.00%		5.13
March 18, 2013	2.15%	10 years	40.00%		5.13-6.00
September 12, 2013	3.22%	10 years	38.20%		6.00
February 27, 2014	3.24%	10 years	38.09%		5.13-6.00
August 1, 2014	3.09%	10 years	40.00%		16.18
October 28, 2014	3.09%	10 years	45.38%		5.13-6.00
February 27, 2015	3.33%	10 years	58.87%		5.13
February 28, 2018	3.61%	10 years	38.00%		12.89-32.92

(1) Risk-free interest rate

Risk-free interest rate was estimated based on the yield to maturity of China international government bonds with a maturity period close to the expected term of the options for the options granted on and before February 27, 2015.

Risk-free interest rate was estimated based on the market yield of US Treasury Active Curves with 10 years maturity as of valuation date plus China country risk premium for the options granted on February 28, 2018.

(2) Contractual term

The Company used the original contractual term.

(3) *Volatility*

The volatility of the underlying common shares during the life of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

(4) *Dividend yield*

The dividend yield was estimated by the Group based on its expected dividend policy over the expected term of the options.

(5) *Exercise price*

The exercise price of the options was determined by the Group's Board of Directors.

(6) *Fair value of underlying common shares*

The estimated fair value of the common shares underlying the options as of the respective grant dates was determined based on a retrospective valuation, which used management's best estimate for projected cash flows as of each valuation date.

After the closing of the IPO, the fair value of common shares is determined as the closing sales price of the shares as quoted on the principal exchange or system.

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The Group recorded share-based compensation of \$1,949, \$1,941 and \$34,822 during the years ended March 31, 2016, 2017 and 2018, respectively, based on the fair value on the grant dates over the requisite service period of award according to the vesting schedule for employee share option.

As of March 31, 2018, total unrecognized compensation expense relating to unvested share options was \$1,710, which will be recognized in one year. The weighted-average remaining contractual term of options outstanding is 5.67 years.

18. FAIR VALUE MEASUREMENTS

(1) Measured on a recurring basis

The following table summarizes the fair value of the Group's financial assets and liabilities measured at recurring basis as of March 31, 2017 and 2018:

	As of March 31, 2017				As of March 31, 2018			
	Fair Value Measurements at the Reporting Date Using			Total balance	Fair Value Measurements at the Reporting Date Using			Total balance
	Quoted prices in active markets for identical instruments (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)		Quoted prices in active markets for identical instruments (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	
Long-term investments								
Available-for-sale investments			6,801	6,801			7,860	7,860
Contingent consideration			2,626	2,626			1,196	1,196

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Long-term borrowings				101,697		101,697			38,884		38,884
Total	\$	\$	\$	111,124	\$	111,124	\$	\$	47,940	\$	47,940

(2) Measured at fair value on a non-recurring basis

Goodwill, acquired intangible assets, long-lived assets, equity method investments and cost method investments are measured at fair value on a non-recurring basis or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value.

The fair value for these assets are considered at level 3 because the Group used unobservable inputs to determine their fair values. The Group estimated the fair value of these investee companies, goodwill and acquired intangible assets based on discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital.

The Group did not recognize any impairment loss related to goodwill, acquired intangible assets, equity method investments and cost method investments for the years ended March 31, 2016, 2017 and 2018.

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		As of March 31,	
		2017	2018
Amount due from related parties	\$	4,538	7,019
Amount due to related parties-current			3,692

Amount due from related parties represents non-interest bearing loans provided by the Group to the non-controlling shareholders of a subsidiary of the Group. In the fiscal year ended March 31, 2018, the Group received repayment of \$140 from the related parties. As of March 31, 2018, the balance due from these related parties was \$4,831.

In December 2017, the Group disposed two subsidiaries - Changchun Jiachang and Changchun Kuancheng District iKang Guobin General Clinic Co., Ltd. (Changchun Kuancheng) to a related party, Aiyang Xingsheng Fund. The Group had inter-company transactions with these two entities before they were disposed by the Group to Aiyang Xingsheng Fund. As of March 31, 2018, the balance due from these two related parties was \$2,188, and the balance due to these two related parties was \$3,692. Please refer to Note 9 for details.

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20. NONCONTROLLING INTEREST

	iKang Zhejiang BVI	WA Health care	iKang Shanghai Gubei	Shenzhen Fujian Hospital Management	Jianwei Healthcare Beijing Datong	Beijing MediGen	Beijing Fosun Pharm	iKang Beijing Pharm	Yinchuan Jiangsu Pharm	Shandong Ciming	China Xi'an Physician alliance	Ganzhou winstar	Wuhu iKang	Wuxi iKang	Zhenjiang iKang	Ningbo iKang	Total	
Balance at March 31, 2015	\$ 260	\$ 5,330	\$ 1,034	\$ 617	\$ (52)	\$ 68	\$ 94	\$ 1,553	\$ 314	\$	\$	\$	\$	\$	\$	\$	\$	\$ 9,218
Additional purchase of non-controlling interest			(486)						(1,178)									(1,664)
Addition of non-controlling interest in connection with acquisitions								5,050	1,613	2,416	3,242		4,446					16,767
Addition of non-controlling interest in connection with capital injection											457							457
Addition of non-controlling interest in connection with new establishments												551		182				733
Dividend distribution to non-controlling interest holders			(557)					(57)										(614)
Share of profit (loss)	158	(453)	9	61	(789)	(162)	(27)	257	52	(495)	241	(399)	(199)	(39)	4	(56)		(1,837)
Other comprehensive income		(199)		(28)	13		(3)	(16)	(211)	(69)	(91)	20	7	90	3			(484)
Balance at March 31, 2016	\$ 418	\$ 4,678	\$	\$ 650	\$ (828)	\$ (94)	\$ 64	\$ 1,753	\$ 350	\$ 3,166	\$ 1,785	\$ 1,926	\$ 3,520	\$ 519	\$ 4,540	\$ 129	\$	\$ 22,576
Purchase of non-controlling interest of Shenzhen				906														906

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Hospital Management																				
Addition of non-controlling interest in connection with establishments of Wuxi iKang																			130	130
Dividend distribution to non-controlling interest holders of MediFast																				(983)
Share of profit (loss)	176	(957)		62	(69)	(177)	(28)	419	236	(97)	154	(295)	(85)	(67)	(366)	(56)	(143)		(1,293)	
Other comprehensive income	(10)	(293)		(43)	(9)	10	(3)	(3)	(31)	(203)	(118)	(120)	(219)	(31)	(288)	(7)			(1,368)	
Balance at March 31, 2017	\$ 584	\$ 3,428	\$	\$ 669	\$	\$ (261)	\$ 33	\$ 1,186	\$ 555	\$ 2,866	\$ 1,821	\$ 1,511	\$ 3,216	\$ 421	\$ 3,886	\$ 66	\$ (13)		\$ 19,968	
Capital contribution from non-controlling interest of Zhenjiang iKang																			909	909
Purchase of non-controlling interest of Fujian iKang																				(630)
Addition of non-controlling interest of IMHealthcare and its subsidiaries (1)																				1,444
Capital contribution through other assets relating to non-controlling interest of Ningbo iKang (2)																				461
Dividend distribution to non-controlling interest holder of iKang Yinchuan Ciming & Yinchuan Clinic																				(605)
Share of profit (loss)	(4)	(516)		(59)		43	(49)	354	165	654	543	(543)	55	(43)	389	23	(169)	(263)	53	633
Other comprehensive income		255		20		69	(1)	(13)	70	328	208	131	312	39	451	15	(6)	38	22	1,938
Balance at March 31, 2018	\$ 580	\$ 3,167				1,295	\$ (17)	\$ 1,527	\$ 790	\$ 3,848	\$ 1,967	\$ 1,099	\$ 3,583	\$ 417	\$ 4,726	\$ 104	\$ (188)	\$ 684	\$ 536	\$ 24,118

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FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

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20. NONCONTROLLING INTEREST continued

(1) On July 31, 2017, the Group acquired 100% equity interest of IMHealthcare and its subsidiaries (IMHealthcare) through Shanghai Jianwei Management. As part of the consideration, 35.06% of Shanghai Jianwei Management s equity interests were exchanged with IMHealthcare s original shareholders for this transaction, resulting in non-controlling interest in Shanghai Jianwei Management. The non-controlling interest in Shanghai Jianwei Management is amounted at \$1,444 as of March 31, 2018.

(2) Non-controlling shareholders of Ningbo iKang made a prepayment of capital injection \$461 in Ningbo iKang during the year ended March 31, 2016. As the business registration as shareholders for non-controlling interest of Ningbo iKang was only completed in current year, resulting in an increase in non-controlling interest as of March 31, 2018.

21. SEGMENT INFORMATION

The Group s chief operating decision maker has been identified as the Chief Executive Officer who reviews results of operations by business lines when making decisions about allocating resources and assessing performance of the Group. The Group has two operating segments: medical examinations and other medical services and dental services, and they are also the reporting segments.

The Group does not allocate any assets to its operating segments as management does not believe that allocating these assets is useful in evaluating these segments performance. Accordingly, the Group has not made disclosure of total assets by reportable segments.

	For the years ended March 31,		
	2016	2017	2018

Net revenues:

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Medical examinations and other medical services	\$	364,635	\$	427,065	\$	546,610
Dental services		6,177		8,648		17,322
Total net revenues		370,812		435,713		563,932
Cost of revenues:						
Medical examinations and other medical services		206,034		253,147		308,064
Dental services		4,875		8,987		17,592
Total cost of revenues		210,909		262,134		325,656
Gross profit:						
Medical examinations and other medical services		158,601		173,918		238,546
Dental services		1,302		(339)		(270)
Total gross profit		159,903		173,579		238,276
Operating expenses:						
Selling and marketing expenses		64,763		74,304		96,594
General and administrative expenses		65,422		82,783		126,255
Research and development expenses		3,716		3,194		3,055
Total operating expenses		133,901		160,281		225,904
Income from operations	\$	26,002	\$	13,298	\$	12,372

Components of net revenues are presented in the following table:

		2016	For the years ended March 31, 2017	2018		
Medical examinations	\$	308,053	\$	360,365	\$	451,005
Disease screening		27,092		34,951		55,233
Other services		29,490		31,749		40,372
Medical examinations and other medical services		364,635		427,065		546,610
Dental services		6,177		8,648		17,322
Total	\$	370,812	\$	435,713	\$	563,932

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

21. SEGMENT INFORMATION - continued

Substantially all of the Group's revenues for the years ended March 31, 2016, 2017 and 2018 were generated from the PRC entities. Substantially all of the Group's long-lived assets are located in the PRC as of March 31, 2017 and 2018.

22. COMMITMENTS AND CONTINGENCIES

Commitments

(1) Operating lease as lessee

The Group leases its clinics and offices under non-cancelable operating lease agreements. These leases expire through 2036 and are renewable upon negotiation. Rental expenses under the operating leases for the years ended March 31, 2016, 2017 and 2018 were \$51,719, \$67,250 and \$74,695, respectively.

Future minimum lease payments under such leases as of March 31, 2018 were as follows:

2019	\$	75,466
2020		68,424
2021		60,701
2022		52,628
2023		46,853
After 2023		112,752
	\$	416,824

(2) Future minimum principal payments related to the Company's short-term and long-term borrowings as of March 31, 2018 are as follows (see Note 12 and Note 13):

2019	\$	196,450
2020		2,567
2021		34,453
2022		1,864
2023		
After 2023	\$	235,334

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Table of Contents**IKANG HEALTHCARE GROUP, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued****FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018****(In thousands of US dollars, except share and per share data, or otherwise noted)****22. COMMITMENTS AND CONTINGENCIES - continued**

(3) The Group entered into agreements with certain suppliers of reagent and agreed to purchase a minimum level of reagent in order to enjoy volume discounts.

Future minimum purchases to such suppliers as of March 31, 2018 are as follows:

2019	\$	7,936
2020		5,944
2021		4,406
2022		1,941
2023		345
After 2023		15
	\$	20,587

Contingent liabilities

The Group is subject to governmental supervision and regulations by the relevant PRC regulatory authorities including the Ministry of Health, the Ministry of Industry and Information Technology of the PRC, and other relevant government authorities. Each of the Group's medical centers is required to obtain a business license, a medical institution establishment approval, a medical institution practicing license and a radiation-related diagnosis and treatment license. If the Group fails to obtain such licenses or to amend the medical institution practicing licenses for the forgoing medical centers or other competent PRC regulatory authorities consider that the Group is operating the relevant businesses in an illegal manner, the Group may be ordered to shut down the relevant medical centers or cease the relevant services or suffer fines or penalties.

The Group has been named in a number of lawsuits arising in its ordinary course of business. In the case where the management can reasonably estimate the outcome of the lawsuits taking into account of the legal advices, provision would be made for the probable losses. Where the management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision is made.

23. EMPLOYEE BENEFIT PLAN

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Group accrues for these benefits based on relevant percentages of the employees' salaries. The total provisions for such employee benefits were \$16,342, \$21,503 and \$25,378 for the years ended March 31, 2016, 2017 and 2018, respectively.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

(In thousands of US dollars, except share and per share data, or otherwise noted)

24. STATUTORY RESERVE AND RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Group's subsidiaries and VIE entities located in the PRC, being foreign invested enterprises established in the PRC, are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of our subsidiaries, our affiliated PRC entities and their respective subsidiaries. The Group's subsidiaries and VIE entities are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital. As of March 31, 2018, the Group's PRC subsidiaries and VIE entities had a general reserve that reached 50% of their registered capital threshold included Beijing iKang Guobin Jiuxianqiao Clinic Co., Ltd., iKang Beijing Xuanwumen, iKang Beijing Yayun, iKang Health Cloud, iKang Shanghai iKang Road, iKang Shanghai Lujiazui, Yan'an West Road, iKang Guangzhou Huanshi, iKang Chengdu Waishuangnan, iKang Chengdu Hongzhaobi, iKang Chongqing, and iKang Fuzhou Gulou; all others will continue to allocate at least 10% of their after tax profits to the general reserve fund.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the Board of Directors of each of the Group's subsidiaries.

The appropriation to these reserves by the Group's PRC subsidiaries was \$3,130, \$3,232 and \$3,635 for the years ended March 31, 2016, 2017 and 2018, respectively.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserves of the Group's PRC subsidiaries and VIE entities. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and VIE entities in the Group not available for distribution was \$263,634 as of March 31, 2018.

As the restricted net assets of the Group's subsidiaries and VIE entities were over 25% of the consolidated net assets of the Group as of March 31, 2018, the parent company's financial statements are presented in Schedule I.

25. SUBSEQUENT EVENTS

On May 30, 2018, the Company filed the Schedule 13E-3 under Rule 13e-3 for a going private transaction in connection with the definitive merger agreement entered into on March 26, 2018 with Yunfeng Capital (Yunfeng) and Alibaba Group Holding Limited (Alibaba) (collectively, the Sponsors). The agreement stipulates the Sponsors will acquire all of the outstanding Class A common shares (Class A Shares), Class C common shares (together with Class A Shares, the Shares) and American depositary shares (ADSs, each representing 1/2 of a Class A Share) of the Company in an all-cash transaction for \$20.00 per ADS or \$40.00 per Share. The merger agreement was amended on May 29, 2018 to include Taobao China Holding Limited, Yunfeng Fund III, L.P., Yunfeng Fund III Parallel Fund, L.P. and Boyu Capital Fund III, L.P. as the final sponsors for the transaction.

In July 2018, the Group obtained a one-year loan framework agreement for a short-term borrowing facility totalling RMB200,000,000 (equivalent to \$31,886) with Shanghai Pudong Development Bank Shanghai Branch to satisfy its daily operation needs, of which RMB48,960,000 (equivalent to \$7,805) was drawn down in August 2018. The loan bears interest at a rate of 5% per annum with maturity dates in August 2019.

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IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED BALANCE SHEETS

(In thousands of US dollars, except share and per share data)

	2017	As of March 31,	2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,041	\$	1,910
Amounts due from related parties	154,046		152,627
Prepaid expenses and other current assets	643		591
Total current assets	\$ 156,730	\$	155,128
Investment in subsidiaries and VIE entities	156,123		199,954
Rental deposit and other non-current assets	1,740		2,282
TOTAL ASSETS	\$ 314,593	\$	357,364
LIABILITIES AND EQUITY:			
Current liabilities:			
Accrued expenses and other current liabilities	\$ 1,769	\$	1,657
Amount due to related parties	387		
Total current liabilities	\$ 2,156	\$	1,657
Equity:			
Class A common shares (\$0.01 par value; 37,648,485 shares authorized as of March 31, 2017 and 2018, 33,916,439 and issued and outstanding as of March 31, 2017 and 2018, respectively)	339		339
Class C common shares (\$0.01 par value; 2,000,000 shares authorized as of March 31, 2017 and 2018, 805,100 shares issued and outstanding as of March 31, 2017 and 2018)	8		8
Additional paid-in capital	436,649		472,677
Accumulated deficit	(97,937)		(115,246)
Accumulated other comprehensive loss	(26,622)		(2,071)
Total iKang Healthcare Group, Inc.'s equity	312,437		355,707
TOTAL LIABILITIES AND EQUITY	\$ 314,593	\$	357,364

Table of Contents**IKANG HEALTHCARE GROUP, INC.****ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I****CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued****CONDENSED STATEMENTS OF OPERATIONS****(In thousands of US dollars, except share and per share data)**

	2016	For the years ended March 31		2018
		2017		
Operating expenses:				
General and administrative expenses	5,000	8,015		38,620
Total operating expenses	5,000	8,015		38,620
Interest income	24	89		121
Interest expense	(2)			
Investment income				1,800
Exchange gain				878
Equity in income/(loss) of subsidiaries and VIE entities	23,303	(3,325)		18,512
Income/(loss) before provision for income tax expenses	18,325	(11,251)		(17,309)
Net income/(loss)	\$ 18,325	\$ (11,251)	\$	(17,309)

Table of Contents**IKANG HEALTHCARE GROUP, INC.****ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I****CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued****CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands of US dollars, except share and per share data)**

	2016	For the years ended March 31, 2017	2018
Net income/(loss)	\$ 18,325	\$ (11,251)	\$ (17,309)
Other comprehensive income/(loss)			
Foreign currency translation adjustments	(11,703)	(18,884)	23,666
Unrealized gain/(loss) of available-for-sale investments, net of taxes of \$47, \$40 and \$221 for the years ended March 31, 2016, 2017 and 2018, respectively	186	(161)	885
Comprehensive income/(loss) attributable to iKang Healthcare Group, Inc.	\$ 6,808	\$ (30,296)	\$ 7,242

Table of Contents**IKANG HEALTHCARE GROUP, INC.****ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I****CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued****CONDENSED STATEMENTS OF SHAREHOLDERS EQUITY****(In thousands of US dollars, except share and per share data)**

	Common Comprehensive Shares	Amount	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income(loss)	Total shareholders equity
Balance at March 31, 2015	34,361,539	\$ 343	\$ 419,862	\$ (105,011)	\$ 3,936	\$ 319,130
Share-based compensation expenses			1,949			1,949
Exercise of employee share options			8,035			8,035
Settlement of acquisition payable of Shanghai Huajian Management			7,202		4	7,206
Additional purchase of non-controlling interest of iKang Shanghai Gubei			(302)			(302)
Net income				18,325		18,325
Foreign currency translation adjustments					(11,703)	(11,703)
Unrealized gain on available-for-sale investments					186	186
Balance at March 31, 2016	34,361,539	\$ 343	\$ 436,746	\$ (86,686)	\$ (7,577)	\$ 342,826
Share-based compensation expenses			1,941			1,941
Exercise of employee share options			1,324			1,324
Issuance of common shares, to option pool, in connection with share-based compensation arrangements	350,000	4				4
Issuance of common shares in connection with exercise of options	10,000					
Purchase of non-controlling interest of Shenzhen Hospital Management			(3,362)			(3,362)
Net loss				(11,251)		(11,251)
Foreign currency translation adjustments					(18,884)	(18,884)
Unrealized loss on available-for-sale investments					(161)	(161)
Balance at March 31, 2017	34,721,539	\$ 347	\$ 436,649	\$ (97,937)	\$ (26,622)	\$ 312,437
Share-based compensation expenses			34,822			34,822
Exercise of share based compensation			1,324			1,324
			(1,872)			(1,872)

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Purchase of non-controlling interest of Fujian iKang								
Acquisition in connection with IMHealthcare (Beijing) Technology Co., Ltd.			2,326					2,326
Return of capital of Weihai Ciming Clinic & Weihai Ciming			(572)					(572)
Net loss					(17,309)			(17,309)
Foreign currency translation adjustments							23,666	23,666
Unrealized loss on available-for-sale investments							885	885
Balance at March 31, 2018	34,721,539	\$	347	\$	472,677	\$	(115,246)	\$ (2,071)
								355,707

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IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION - SCHEDULE 1

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

CONDENSED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, except share and per share data)

	For the years ended March 31,		
	2016	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income/(loss)	\$ 18,325	\$ (11,251)	\$ (17,309)
Adjustments to reconcile net income to net cash used in operating activities:			
Investment income/(loss) from subsidiaries	(23,303)	3,325	(18,512)
Share based compensation expenses	1,949	1,941	34,822
Changes in assets and liabilities:			
Prepaid expenses and other current assets	775	71	(490)
Amount due from related parties	(27,675)	522	148
Accrued expenses and other current liabilities	(494)	114	(114)
Net cash used in operating activities	(30,423)	(5,278)	(1,455)
CASH FLOW FROM INVESTING ACTIVITIES:			
Return of prepayment for long-term investment		4,000	
Payment for long-term investments	(24,500)		
Investment in subsidiaries	(6,000)		
Payment for loan receivable	(1,000)		
Net cash (used in)/provided by investing activities	(31,500)	4,000	
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from exercise of share options	8,035	1,324	1,324
Net cash provided by financing activities	8,035	1,324	1,324
Net increase/(decrease) in cash and cash equivalents	(53,888)	46	(131)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	55,883	1,995	2,041
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 1,995	\$ 2,041	\$ 1,910

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IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS FOR PREPARATION

The condensed financial information of the Parent Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statement except that the Parent Company used the equity method to account for investments in its subsidiaries and VIE entities.

The condensed financial information is provided since the restricted net assets of the Group's subsidiaries and VIE entities were over 25% of the consolidated net assets of the Group as of March 31, 2018.

2. INVESTMENTS IN SUBSIDIARIES

The Parent Company, its subsidiaries and VIE entities were included in the consolidated financial statements where inter-company balances and transactions were eliminated upon consolidation.

For the purpose of the Parent Company's stand-alone financial information, its investments in subsidiaries and VIE entities are reported using the equity method of accounting. The Parent Company's share of income/(loss) from its subsidiaries and VIE entities were reported as share of income/(loss) of subsidiaries and VIE entities in the accompanying Parent Company's financial information.

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NEW CHINA LIFE INSURANCE HEALTH INVESTMENT MANAGEMENT CO., LTD.

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

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<u>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017</u>	F-72
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<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017</u>	F-74
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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF IKANG HEALTHCARE GROUP, INC.

We have audited the accompanying consolidated financial statements of New China Life Insurance Health Investment Management Co., Ltd. (the Company) and its subsidiaries (collectively, the Group), as of December 31, 2016 and 2017, which comprise the consolidated balance sheets as of December 31, 2016 and 2017, and the related consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the eleven months ended December 31, 2016 and for the year ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2017, and the results of their operations and their cash flows for the eleven months December 31, 2016 and for the year ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

August 10, 2018

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Table of ContentsNEW CHINA LIFE INSURANCE HEALTH INVESTMENT MANAGEMENT CO., LTD.

CONSOLIDATED BALANCE SHEETS

	As of December 31, 2016 RMB	As of December 31, 2017 RMB	As of December 31, 2017 USD\$(Note 2)
Assets			
Current assets			
Cash and cash equivalents	54,152,929	51,860,468	7,970,808
Accounts receivable, net of allowance for doubtful accounts of RMB 391,078 and RMB 612,809 as of December 31, 2016 and December 31, 2017	21,591,178	29,735,425	4,570,251
Available-for-sale investments	909,704,783	834,748,103	128,298,434
Inventories	6,037,292	8,977,894	1,379,878
Prepaid expenses and other current assets	28,029,734	22,841,169	3,510,623
Amounts due from related parties	4,493,408	5,239,002	805,220
Deferred tax assets-current	544,000		
Total current assets	1,024,553,324	953,402,061	146,535,214
Non-current assets			
Property and equipment, net	191,892,147	215,671,165	33,148,051
Rental deposit and other non-current assets	5,984,100	5,849,863	899,107
Deferred tax assets non-current	10,107,677	20,436,976	3,141,106
Total assets	1,232,537,248	1,195,360,065	183,723,478
Liabilities and equity			
Current liabilities			
Accounts payable	18,794,032	20,731,094	3,186,311
Accrued expenses and other current liabilities	84,475,205	100,856,277	15,501,326
Advance from customers	47,099,906	64,683,206	9,941,626
Amounts due to related parties	8,071,994	19,073,110	2,931,483
Total current liabilities	158,441,137	205,343,687	31,560,746
Non-current liabilities			
Deferred tax liabilities	1,447,006	1,056,809	162,429
Total liabilities	159,888,143	206,400,496	31,723,175
Commitments (Note 12)			
Shareholder s Equity			
Paid-in capital	1,126,692,889	1,126,692,889	173,169,526
Additional paid-in capital	348,307,111	348,307,111	53,533,823
Statutory reserves	3,454	48,314	7,426
Accumulated deficits	(406,695,366)	(489,259,173)	(75,197,758)
Accumulated other comprehensive income	4,341,017	3,170,428	487,286
Total shareholders equity	1,072,649,105	988,959,569	152,000,303
Total liabilities and shareholders equity	1,232,537,248	1,195,360,065	183,723,478

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Eleven months ended December 31, 2016 RMB	Year ended December 31, 2017 RMB	Year ended December 31, 2017 USD\$(Note 2)
Net revenues	210,684,363	229,631,252	35,293,677
Cost of revenues	168,631,829	179,870,209	27,645,545
Gross profit	42,052,534	49,761,043	7,648,132
Operating expenses			
General and administrative expenses	109,012,267	107,611,412	16,539,571
Selling and marketing expenses	66,905,571	72,768,817	11,184,362
Total operating expenses	175,917,838	180,380,229	27,723,933
Loss from operations	(133,865,304)	(130,619,186)	(20,075,801)
Investment income	19,943,952	37,281,956	5,730,132
Interest income	889,709	244,824	37,629
Interest expense	(31)		
Other income and expense	32,576	788,160	121,138
Loss before income tax	(112,999,098)	(92,304,246)	(14,186,902)
Income tax benefit	10,651,677	9,785,299	1,503,973
Net loss	(102,347,421)	(82,518,947)	(12,682,929)
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments (net of tax of RMB 1,447,006 and RMB 1,056,809 for the eleven months ended December 31, 2016 and the year ended December 31, 2017)	4,341,017	(1,170,589)	(179,916)
Comprehensive loss	(98,006,404)	(83,689,536)	(12,862,845)

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in Amounts	Additional paid-in capital	Statutory reserves	Accumulated deficits	Accumulated other comprehensive income	Total shareholders equity
Balance at February 1, 2016	1,126,692,889	315,318,911	3,454	(304,347,945)		1,137,667,309
Capital contribution from shareholders		32,988,200				32,988,200
Loss for the eleven months ended December 31, 2016				(102,347,421)		(102,347,421)
Change on unrealized available-for-sale investments (net of tax of RMB1,447,006 for the eleven months ended December 31, 2016)					4,341,017	4,341,017
Balance at December 31, 2016	1,126,692,889	348,307,111	3,454	(406,695,366)	4,341,017	1,072,649,105
Loss for the year ended December 31, 2017				(82,518,947)		(82,518,947)
Provision for statutory reserve			44,860	(44,860)		
Change on unrealized available-for-sale investments (net of tax of RMB1,056,809 for the year ended December 31, 2017)					(1,170,589)	(1,170,589)
Balance at December 31, 2017	1,126,692,889	348,307,111	48,314	(489,259,173)	3,170,428	988,959,569
Balance at December 31, 2017 (US\$) (Note 2)	173,169,526	53,533,823	7,426	(75,197,758)	487,286	152,000,303

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Eleven months ended December 31, 2016 RMB	Year ended December 31, 2017 RMB	Year ended December 31, 2017 USD\$ (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	(102,347,421)	(82,518,947)	(12,682,930)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	31,311,025	35,551,333	5,464,140
Loss on disposal of property and equipment	391,958		
Allowance for doubtful accounts	339,302	221,731	34,079
Changes in assets and liabilities:			
Increase in accounts receivable	(12,629,646)	(8,365,978)	(1,285,827)
Decrease (Increase) in amount due from related parties	3,771,734	(745,594)	(114,596)
Decrease in other receivables	6,567,192	5,188,565	797,468
Increase in inventories	(552,931)	(2,940,602)	(451,963)
Decrease in accounts payable	16,597,554	1,937,062	297,720
Increase (Decrease) in amount due to related parties	(604,143)	11,001,116	1,690,841
Increase in other payables	8,183,156	16,381,072	2,517,725
Increase in deferred tax assets	(10,651,677)	(9,785,299)	(1,503,973)
Increase in deferred revenue	17,022,972	17,583,300	2,702,504
Decrease in other non-current assets	(391,478)	(255,960)	(39,340)
Net cash used in operating activities	(42,992,403)	(16,748,201)	(2,574,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of property and equipment	(41,195,421)	(59,330,351)	(9,118,908)
Redemption of available-for-sale investments	2,576,763,211	1,371,786,091	210,839,662
Purchase of available for sales investments	(3,430,000,000)	(1,298,000,000)	(199,498,947)
Net cash (used in) provided by investing activities	(894,432,210)	14,455,740	2,221,807
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in cash and cash equivalents	(937,424,613)	(2,292,461)	(352,345)
Cash and cash equivalents at the beginning of eleven months ended December 31,2016 and the year ended December 31, 2017	991,577,542	54,152,929	8,323,153
Cash and cash equivalents at the end of the eleven months ended December 31, 2016 and the year ended December 31, 2017	54,152,929	51,860,468	7,970,808

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

New China Life Insurance Health Investment Management Co., Ltd. (the Company), was founded in People's Republic of China on December 12, 2012 by New China Life Insurance Company Ltd (New China Life Insurance). On January 21, 2016, the Company entered into a capital contribution agreement with iKang Healthcare Group, Inc. (iKang) and ShenZhen LaiMengPuChang (Laimeng Puchang) Investment Management Co., Ltd. After the capital contribution was completed in February 2017, New China Life Insurance owns 45% equity interest, iKang Healthcare Group, Inc. owns 45% equity interest and ShenZhen LaiMeng PuChang Investment Management Co., Ltd. owns 10% equity interest of the Company. In December 2017, iKang sold 25% of its equity interest of the Company to AVIC Partnership with the terms that iKang will purchase back the equity interest in three years and the voting right over the Company was kept by iKang.

The Company and its subsidiaries (collectively, the Group) are primarily engaged in providing medical examination services in the People's Republic of China (the PRC).

At December 31, 2017, the Company's subsidiaries were as follows:

Subsidiaries	Date of incorporation	Place of establishment/ incorporation	Legal ownership %	Nature of business
NCI Insurance (Xi'an) Clinic Co., Ltd. (Xi'an Clinic)	October 17, 2012	Xi'an	100%	Health examination
NCI (Wuhan) Clinic Co., Ltd. (Wuhan Clinic)	October 23, 2012	Wuhan	100%	Health examination
NCI (Qingdao) Clinic Co., Ltd. (Qingdao Clinic)	September 12, 2013	Qingdao	100%	Health management
NCI Health (Yantai) Clinic Co., Ltd. (Yantai Clinic)	October 18, 2013	Yantai	100%	Health examination
Chengdu Jinjiang NCI Clinic Co., Ltd. (Chengdu Clinic)	December 4, 2013	Chengdu	100%	Health examination
NCI (Baoji) Clinic Co., Ltd. (Baoji Clinic)	December 5, 2013	Baoji	100%	Health examination
NCI (Changsha) Health Management Co., Ltd. (Changsha Clinic)	December 12, 2013	Changsha	100%	Health examination
NCI (Chongqing) Clinic Co., Ltd. (Chongqing Clinic)	December 24, 2013	Chongqing	100%	Health examination
NCI (Zhengzhou) Health Management Co., Ltd.	December 30, 2013	Zhengzhou	100%	Health management

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(Zhengzhou Clinic) Hefei Shushan NCI Clinic Co., Ltd.	April 11, 2014	Hefei	100%	Health examination
(Hefei Clinic) NCI (Huhhot) Clinic Co., Ltd.	June 9, 2014	Huhhot	100%	Health examination
(Huhhot Clinic) NCI Clinic (Jinan) Co., Ltd.	August 15, 2014	Jinan	100%	Health examination
(Jinan Clinic) NCI Health Technology Development (Beijing) Co., Ltd. (NCI Health Technology)	August 18, 2014	Beijing	100%	Consultancy & Trading
NCI (Changde) Health Management Co., Ltd. (Changde Clinic)	March 13, 2015	Changde	100%	Health management
NCI (Tangshan) Clinic Co., Ltd. (Tangshan Clinic)	June 1, 2015	Tangshan	100%	Health examination
NCI (Nanjing) Clinic Co., Ltd. (Nanjing Clinic)	July 14, 2015	Nanjing	100%	Medical service
NCI (Hangzhou) Clinic Co., Ltd. (Hangzhou Clinic)	October 14, 2015	Hangzhou	100%	Health examination
NCI (Beijing) Rehabilitation Hospital Co., Ltd. (Rehabilitation Hospital)	September 30, 2016	Beijing	100%	Medical service

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2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP).

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

Reporting and functional currency

The reporting currency of the Company is Renminbi (RMB). The functional currency of the Company and its subsidiaries in the PRC is RMB.

Convenience translation

Translations of balances in the consolidated balance sheet, consolidated statement of operations and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows from Renminbi (RMB) into United States dollars (U.S. dollar) as of and for the year ended December 31, 2017 is solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB 6.5063,

representing the rate as certified by the H.10 weekly statistical release of Federal Reserve Board of United States on December 31, 2017. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2017, or at any other rate.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues, costs and expenses in the financial statements and the accompanying notes. Significant accounting estimates reflected in the Group's financial statements include allowance for doubtful accounts, the useful lives and impairment of property and equipment, income tax and fair value of available-for-sale investments. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts receivable and allowance for doubtful accounts

Accounts receivable represents those receivables derived in the ordinary course of business. A general allowance for doubtful accounts is provided based on aging analyses of accounts receivable balances, historical bad debt rates, in addition to specific provisions established based on customers' repayment patterns and customer credit worthiness.

The Group decides to write off a receivable and the corresponding provision when it determines when events indicate that there is remote chance that accounts receivable can be collected, such as liquidation of a customer or termination of business cooperation.

Financial instruments

Financial instruments of the Group primarily consist of cash and cash equivalents, accounts receivable, available-for-sale investments, amount due from related parties, accounts payable, amount due to related parties; and their carrying values approximate their fair values due to short-term nature. Available-for-sale investments are reported at fair value, which is discussed in Note 10.

Fair value measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or the most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value measurements - continued

- Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Significant risks and uncertainties

The Group operates in an industry with rapid changes in regulations, customer demand and competition and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations, or cash flows: advances and trends in healthcare industry standards, changes in certain strategic relationships or customer relationships, regulatory or other PRC related factors and risks associated with the Group's ability to keep and increase the customer base.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents and available-for-sale investments. All of the Group's cash and cash equivalents and available-for-sale investments are denominated in RMB and are held by financial institutions located within the PRC. The Group places its cash and cash equivalents and available-for-sale investments with the financial institutions with high-credit ratings and quality.

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FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Significant risks and uncertainties - continued

Concentration of credit risk - continued

The Group conducts credit evaluations of its customers and generally does not require collateral or other security from them. An allowance for doubtful accounts has been established to reflect the Group's estimate on bad debts. Management will continue to evaluate the Group's collection experience and will provide for an allowance for doubtful accounts as appropriate.

Inventories

Inventories are medical consumable supplies and are stated at the lower of cost or net realizable value. Inventories are written down for obsolescence to net realizable value based upon estimates of future demand and expiration date of inventories. The Group did not record any write-down of inventories for the eleven months ended December 31, 2016 and year ended December 31, 2017.

Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Computer equipment and application software	5-10 years
Office equipment and others	5-8 years
Medical equipment	6 years
Motor vehicles	5-12 years

Leasehold improvement

Shorter of useful life of the asset or the lease term

Construction in progress represents unfinished leasehold improvement and installment of equipment for new clinics. Construction in progress will be transferred to leasehold improvement or property and equipment when it is finished. Depreciation is recorded at the time when assets are ready for the intended use.

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FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Available-for-sale investments

Available-for-sale investments consisted of financial products issued by financial institutions. The Group recorded these financial products as available-for-sale investments and unrealized gains and losses arising from the revaluation of available-for-sale investments are included, net of income taxes, in equity as accumulated other comprehensive income. Realized gains and losses on sales of investments are determined using the specific identification method for financial products and are included in investment income in the statement of operations and comprehensive loss.

Revenue recognition

The Group recognizes revenues when persuasive evidence of an arrangement exists, service has been provided, the sales price is fixed or determinable, and collectability is reasonably assured.

The Group offers medical examination services and renders such services at the request of its customers. The Group recognizes revenue at the point when medical services are provided. Revenue was stated net of business tax and related surcharges. The Group recorded RMB 615,002 business tax and related surcharges for the eleven months ended December 31, 2016, and RMB 250,533 VAT related surcharges for the year ended December 31, 2017.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

On March 23, 2016, State Administration of Taxation launched Cai Shui [2016] No.36 (Circular 36), which take effect starting in May 1st, 2016. In accordance with Circular 36, entities and individuals engaged in sales of services, intangible assets or real property within the territory of the People's Republic of China are value-added taxpayers, and shall pay value-added tax (VAT) rather than business tax (BT) according to these Measures.

Pursuant to Circular 36, VAT exemption applies to medical services where all of the following conditions are satisfied: (1) The medical institutions have obtained the Practice License for Medical Institutions in accordance with the Administrative Regulations on Medical Institutions of the State Council; (2) Medical services include the services which are listed in the Specifications for Pricing Items of National Medical Services; and (3) The price of medical services shall not be higher than the guiding prices for medical services set by competent price departments at or above the prefecture (city) level. In accordance with Circular 36, the Group's medical services are eligible for the aforesaid tax exemption conditions.

Cost of revenues

Cost of revenues consist of expenditures incurred in the generation of the Group's revenues, including primarily salaries and welfare paid to physicians, nurses, purchase of medical consumable for the associated clinics.

Research and development costs

Research and development costs consist primarily of the compensation and related costs for employees associated with the development of data management and online enterprise finance function platform services and are expensed as incurred. Total research and development cost amounts to RMB 7,072,098 and RMB 5,087,269, which has been recorded in general and administrative expenses account for the eleven months ended December 31, 2016 and the year ended December 31, 2017, respectively.

Operating leases

Leases, including leases of offices and servers, where substantially all the risks and rewards of ownership of the assets remain with the lessor, are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statement of operations and comprehensive loss on a straight-line basis over the lease terms.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The income tax rate of the Group is 25%, and is based the taxable profit for the year. Current income taxes are provided for in accordance with the laws of the relevant tax authorities.

Deferred income taxes are recognized based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Newly issued accounting pronouncements adopted

In October 2016, the FASB issued a new pronouncement, ASU 2016-17, which amends the guidance in U.S. GAAP on related parties that are under common control. Specifically, the new ASU requires that a single decision maker consider indirect interests held by related parties under common control on a proportionate basis in a manner consistent with its evaluation of indirect interests held through other related parties. That is, the single decision maker does not consider indirect interests held through related parties as equivalent to direct interests in determining whether it meets the economics criterion to be a primary beneficiary. The ASU does not change the need for a single decision that has determined that it individually does not meet the criterion to be a primary beneficiary to then evaluate whether the related-party group meets these conditions and, if so, to determine whether the single decision maker is the party most closely associated with the variable interest entity in the related-party group. For non-public entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal 3 years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of this guidance does not have any material impact to its consolidated financial statements.

In November, 2015, the FASB issued a new pronouncement which changes how deferred taxes are classified on organizations' balance sheets. The ASU eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments apply to all organizations that present a classified balance sheet. For non-public companies, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Board also decided to permit earlier application by all entities as of the beginning of any interim or annual reporting period. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The company has adjusted its presentation of financial statements and correspondent disclosure, no other material impact has noted for the adoption of the ASU.

Newly issued accounting pronouncements not yet adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration that a company expects to be entitled to in exchange for the goods or services. To achieve this principle, a company must apply five steps including identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the company satisfies the performance obligations. Additional quantitative and qualitative disclosure to enhance the understanding about the nature, amount, timing, and uncertainty of revenue and cash flows

is also required. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing ASU 2016-10 clarifies the following two aspects of ASU 2014-09: identifying Performance obligations and licensing implementation guidance. The effective date of ASU 2016-10 is the same as the effective date of ASU 2014-09. Non-public entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The new revenue guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Group is in the process of evaluating the impact of this pronouncement to its consolidated financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Newly issued accounting pronouncements not yet adopted - continued

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This Update makes amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. For all other entities, including not-for-profit entities and employee benefit plans within the scope of ASC 960 through ASC 965 on plan accounting, the amendments in the ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For non-public business entities, the guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01: Business Combinations (Topic 805): Clarifying the Definition of a Business. The ASU requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments in this ASU (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. Non-public business entities should apply the amendments in this ASU for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application of the amendments in this ASU is allowed. The amendments in this ASU should be applied prospectively on or after the effective date. No disclosures are required at transition. The Group is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

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3. CASH AND CASH EQUIVALENTS

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Cash in bank	54,145,310	51,856,107
Cash on hand	7,619	4,361
	54,152,929	51,860,468

4. ACCOUNTS RECEIVABLE

The accounts receivable is net of allowance for doubtful accounts, as of December 31, 2016 and December 31, 2017 are as follows:

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Accounts receivable	21,982,256	30,348,234
Less: allowance for doubtful accounts	391,078	612,809
Accounts receivable, net	21,591,178	29,735,425

5. INVENTORIES

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Medical consumable supplies, no provision made	6,037,292	8,977,894

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of:

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Advance to suppliers	25,048,414	20,307,082
Other receivables	2,981,320	2,534,087
	28,029,734	22,841,169

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FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

7. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Medical equipment	93,642,729	126,047,185
Computer equipment and application software	28,077,196	37,285,460
Office equipment and others	11,834,784	12,566,414
Motor vehicles	3,490,455	4,002,614
Leasehold improvement	113,154,728	154,797,431
	250,199,892	334,699,104
Less: accumulated depreciation	85,639,606	121,190,939
	164,560,286	213,508,165
Construction in progress	27,331,861	2,163,000
Property and equipment, net	191,892,147	215,671,165

Depreciation expenses for the eleven months ended December 31, 2016 and year ended December 31, 2017 were RMB 31,311,025 and RMB 35,551,333, respectively.

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FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Payroll payables	40,282,546	40,738,842
Accrued rental expense	34,325,440	47,667,950
Other tax payables	1,098,562	1,749,247
Other payables	8,768,657	10,700,238
Total	84,475,205	100,856,277

9. INCOME TAX

The Enterprise Income Tax Law (the New EIT Law), effective on January 1, 2008, adopted a unified income tax rate of 25%. The Company was subject to the income tax rate of 25% for the eleven months ended December 31, 2016 and the year ended December 31, 2017.

Income tax benefit consist of the following:

	Eleven months ended December 31, 2016 RMB	Year ended December 31, 2017 RMB
Income tax benefit:		
-Current income tax expense		
-Deferred income tax benefit	10,651,677	9,785,299
Total	10,651,677	9,785,299

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

9. INCOME TAX - continued

The significant components of the Company's deferred tax assets were as follows:

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Deferred tax assets		
Current		
Advertising fee	42,502	
Employee education funds	12,205	
Allowance for doubtful accounts	97,769	
Accrued expenses	940,561	
Less: valuation allowance	549,037	
Current deferred tax assets	544,000	
Non-current		
Advertising fee		34,712
Employee education funds		9,356
Bad debt provision		153,202
Accrued expenses		7,115,660
Net operating losses carry forwards	103,300,630	118,509,413
Less: valuation allowance	93,192,953	105,385,367
Non-current deferred tax assets	10,107,677	20,436,976
Deferred tax liabilities		
Current		
Unrealized gain on available-for-sale investments	1,447,006	1,056,809

The Company considers the following factors, among other matters, when determining whether some portion or all of the deferred tax assets will more likely than not be realized: the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Company's experience with tax attributes expiring unused and tax planning alternatives. The Company's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law.

As of December 31, 2017, the Company had a tax loss carry-forward amounted to RMB 484,940,261 and would expire on various dates between December 31, 2018 and December 31, 2022. The Company does not file combined or consolidated tax returns. Valuation allowance is considered on each individual subsidiary and legal entity basis. Valuation allowances have been established in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. FAIR VALUE MEASUREMENT

Recurring fair value measurements

The Group measured short-term investments at fair value on a recurring basis which are classified within Level 2 of the fair value hierarchy because they are valued based on the quoted market prices for similar assets or liabilities in an active market.

As of December 31, 2017, available-for-sale investments recorded in short-term investments included certain financial products from financial institutions with and without specified maturity dates. Those investments were measured and recorded at fair value on a recurring basis in periods subsequent to their initial recognition and are as follows:

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
<i>Available-for-sale investments</i>	909,704,783	834,748,103

Nonrecurring fair value measurements

The Group's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on nonrecurring basis as a result of impairment charges. The Group did not record any impairment charges to assets measured at fair value on a nonrecurring basis during the years ended December 31, 2016 and 2017, respectively.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Name of related party	Relationship
-----------------------	--------------

New China Life Insurance	45% - Interest Owner
iKang Healthcare Group, Inc.	45% - Interest Owner

(1) The Group provides medical examination services to the general public as well as corporate customers which include companies controlled by New China Life Insurance and iKang Healthcare Group, Inc. Revenue generated from services provided to the related parties totaled at RMB 30,491,235 and RMB 16,154.627 for the eleven months ended December 31, 2016 and the year ended December 31, 2017, respectively.

(2) The significant balances between the Group and its related parties are as follows:

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NEW CHINA LIFE INSURANCE HEALTH INVESTMENT MANAGEMENT CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. RELATED PARTY TRANSACTIONS AND BALANCES - continued

	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Amounts due from related parties	4,493,408	5,239,002
Amounts due to related parties	8,071,994	19,073,110

Details of those significant related parties balances provided in the table above are as follows:

(a) Amounts due from related parties

Amounts due from related parties are made up by the amounts due from companies controlled by New China Life Insurance and iKang Healthcare Group, Inc., representing accounts receivable of medical examination fee.

(b) Amounts due to related parties

Amounts due to related parties are made up by amounts due to companies controlled by New China Life representing advance from customers of medical examination fee and other payment.

12. COMMITMENTS

Non-cancelable operating lease commitments

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The Group leases offices and servers under non-cancelable operating leases agreement. Rental expenses under operating leases for the year ended December 31, 2017 was RMB 70,757,591.

Future minimum lease payments under non-cancelable operating leases agreements as of December 31, 2017 are as follows:

	Amount
Year 2018	60,205,276
Year 2019	59,639,657
Year 2020	65,824,417
Year 2021	74,111,075
Year 2022	76,900,019
After Year 2022	96,680,125
	433,360,569

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NEW CHINA LIFE INSURANCE HEALTH INVESTMENT MANAGEMENT CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 2016 AND THE YEAR ENDED DECEMBER 31, 2017

13. STATUTORY RESERVE

In accordance with PRC laws and regulations and their articles of association, the Group's subsidiaries located in the PRC are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of our subsidiaries, our affiliated PRC entities and their respective subsidiaries. The Group's subsidiaries are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the Board of Directors of each of the Group's subsidiaries.

The appropriation to these reserves by the Group's PRC subsidiaries was RMB 3,454 and RMB 48,314 for eleven months ended December 31, 2016 and year ended December 31, 2017, respectively.

14. SUBSEQUENT EVENT

The Company has evaluated events subsequent to the balance sheet date of December 31, 2017 through August 10, 2018, which is the date the audited consolidated financial statements were available to be issued, and noted no significant subsequent events except for the following:

1. Equity transfer of NCI (Beijing) Rehabilitation Hospital Co., Ltd. (Rehabilitation Hospital)

On March 8, 2018, the Company and Rehabilitation Hospital, a subsidiary of the Company, signed into an equity transfer agreement with New China Life Insurance (NCLI), a non-controlling shareholder of the Company, where NCLI purchased 100% equity interest of Rehabilitation Hospital for cash.

On March 16, 2018, the closing condition of which business registration change for the transfer of Rehabilitation Hospital was completed.

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