

iKang Healthcare Group, Inc.  
Form 20-F  
August 15, 2017  
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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, 2017.**

**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)

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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, 2017.

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 2014**, **fiscal 2015** and **fiscal 2016** means the 12-month periods ended March 31, 2015, 2016 and 2017, 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, 2015, 2016 and 2017 and the consolidated balance sheets data as of March 31, 2016 and 2017 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, 2013 and 2014 and the selected consolidated balance sheets data as of March 31, 2013, 2014 and 2015 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.

	2013	2014	2015	2016	2017
	For the years ended March 31,				
	(U.S. dollars in thousands, except per share data)				
Net revenues	133,871	202,304	290,781	370,812	435,713
Cost of revenues	71,079	106,405	154,943	210,909	262,134
Gross profit	62,792	95,899	135,838	159,903	173,579
Operating expenses:					
Sales and marketing expenses	18,486	28,879	41,059	64,763	74,304
General and administrative expenses	23,447	32,053	52,331	65,422	82,783
Research and development expenses	1,270	1,603	1,401	3,716	3,194
Total operating expenses	43,203	62,535	94,791	133,901	160,281
Income from operations	19,589	33,364	41,047	26,002	13,298
Gain/(loss) from forward contracts		57	(8)		

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Interest expense	(1,106)	(1,331)	(2,466)	(4,603)	(13,880)
Interest income	100	93	699	785	939
Other income			883	1,874	
Income before provision for income taxes and (loss)/gain from equity method investments	18,583	32,183	40,155	24,058	357
Income tax expenses	6,134	10,101	13,280	5,838	3,354
Income/(loss) before (loss)/gain from equity method investments	12,449	22,082	26,875	18,220	(2,997)
(Loss)/gain from equity method investments		(156)	521	(1,732)	(9,547)
Net income/(loss)	12,449	21,926	27,396	16,488	(12,544)
Less: Net income/(loss) attributable to non-controlling interest	338	319	283	(1,837)	(1,293)
Net income/(loss) attributable to iKang Healthcare Group, Inc.	12,111	21,607	27,113	18,325	(11,251)
Deemed dividend to preferred shareholders	84,306	20,436	100		
Undistributed earnings allocated to preferred shareholders	2,818	7,310	201		
Net (loss)/income attributable to common and preferred shareholders of iKang Healthcare Group, Inc.	(75,013)	(6,139)	26,812	18,325	(11,251)
Net (loss)/income per share attributable to common shareholders of iKang Healthcare Group, Inc.					
Basic	(11.22)	(0.97)	0.82	0.55	(0.33)
Diluted	(11.22)	(0.97)	0.79	0.54	(0.33)
Net (loss)/income per ADS attributable to common shareholders of iKang Healthcare Group, Inc.					
Basic	(5.61)	(0.48)	0.41	0.28	(0.17)
Diluted	(5.61)	(0.48)	0.40	0.27	(0.17)

Table of Contents**Summary Consolidated Balance Sheet Data:**

	2013	2014	As of March 31, 2015 (U.S. dollars in thousands)	2016	2017
Total current assets	104,478	110,830	278,665	305,703	219,915
Total assets	165,361	250,226	499,001	803,641	728,491
Total current liabilities	73,924	103,442	163,147	199,000	287,160
Total liabilities	74,548	108,848	170,653	438,239	396,086
Convertible redeemable preferred shares	213,978	264,517			
Total iKang Healthcare Group, Inc. shareholders (deficit)/equity	(124,195)	(126,957)	319,130	342,826	312,437
Non-controlling interests	1,030	3,818	9,218	22,576	19,968
Total liabilities, mezzanine equity and shareholders equity/(deficit)	165,361	250,226	499,001	803,641	728,491

	2013	2014	For the years ended March 31, 2015 (U.S. dollars in thousands)	2016	2017
Net cash generated from operating activities	16,314	34,303	41,097	43,602	50,043
Net cash used in investing activities	(16,058)	(96,714)	(147,062)	(261,533)	(32,011)
Net cash provided/(used in) by financing activities	50,824	29,342	173,570	237,465	(52,421)
Effect of exchange rate changes	199	136	(490)	(8,759)	(8,824)
Net increase/(decrease) in cash and cash equivalents	51,279	(32,933)	67,115	10,775	(43,213)
Cash and cash equivalents at the beginning of year	11,875	63,154	30,221	97,336	108,111
Cash and cash equivalents at the end of year	63,154	30,221	97,336	108,111	64,898

**EXCHANGE RATE INFORMATION**

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 11, 2017, the daily exchange rate reported by the Federal Reserve Board was RMB6.6612 to US\$1.00.

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

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Period	Period End	Exchange Rate		
		Average(1) (RMB per US\$1.00)	High	Low
2012	6.2301	6.3088	6.3879	6.2221
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				
February	6.8665	6.8694	6.8821	6.8517
March	6.8832	6.8940	6.9132	6.8687
April	6.8900	6.8876	6.8988	6.8778
May	6.8098	6.8843	6.9060	6.8098
June	6.7793	6.8066	6.8382	6.7793
July	6.7240	6.7694	6.8039	6.7240
August (through August 11, 2017)	6.6612	6.6982	6.7272	6.6460

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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 83.5%, 83.6% and 83.6% of our net revenues in fiscal 2014, 2015 and 2016, 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.

Revenues from our top ten corporate customers accounted for 17%, 14% and 15% of our net revenues in fiscal 2014, 2015 and 2016, 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 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.

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***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 27.5% from US\$290.8 million in fiscal 2014 to US\$370.8 million in fiscal 2015, which in turn increased by 17.5% to US\$435.7 million in fiscal 2016. The number of our corporate customers increased approximately, in each case, from 24,200 to 30,900 and 36,400, and the number of our individual customers increased approximately, in each case, from 450,700 to 518,500 and 722,800 respectively, from fiscal 2014 to fiscal 2015 and fiscal 2016. 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 recent launch of iKangCare+ and iKangPartner+ strategies. iKangCare+ corporate client platform is able to generate self-served 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.

***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

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- 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.

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.***

Between August 2015 and June 2016, we received certain proposals with respect to a going-private transaction. For more details, see Item 4.A. History and Development of the Company Proposed Going-private Transaction. There can be no assurance that any definitive offer will be made, that any agreement will be executed or that any 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.

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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.

***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\$3.7 million as of March 31, 2017. 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.

***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\$59.7 million as of March 31, 2015 to US\$74.2 million as of March 31, 2016, and to US\$79.6 million as of March 31, 2017, representing 21.4%, 24.3% and 36.2% of total current assets and 12.0%, 9.2% and 10.9% of total assets as of March 31, 2015, 2016 and 2017, respectively. Moreover, accounts receivable (net of allowance for doubtful accounts) aged over six months have increased from US\$18.2 million, or 30.4% of total accounts receivable, as of March 31, 2015 to US\$26.7 million, or 36.0% of total accounts receivable (net of allowance for doubtful accounts) as of March 31, 2016, and to US\$25.5 million, or 32.1% of total accounts receivable (net of allowance for doubtful accounts) as of March 31, 2017. 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.

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***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.

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.

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***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, business interruption insurance, general liability insurance or public liability insurance and we maintained only limited property insurance for fiscal 2016.

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.

*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 2014, 2015 and 2016, the leasing costs comprised 18.7%, 18.4% and 19.4% 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.

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As of March 31, 2017, the leases on our 107 self-owned medical centers have various expiration dates ranging from 2017 to 2036. 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 Environmental Protection 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.

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.

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***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.

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.

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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.

***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.

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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.

*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, 2017, we had 270 registered trademarks. We own or possess the rights to 199 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. 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](http://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](http://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. The People's Court of Chaoyang District of Beijing 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;
- 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.

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***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, 2017, there were 612,724 options and warrants outstanding which entitle their holders to purchase a total of 612,724 Class A common shares. As a result, we incurred share-based compensation expense of US\$9.2 million, US\$1.9 million and US\$1.9 million in fiscal 2014, 2015 and 2016, 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, 2016 and 2017 included in this annual report for a more detailed presentation of accounting for our share-based compensation plans.

***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 an accelerated filer.

Our management has concluded that our internal control over financial reporting was effective as of March 31, 2017. See Item 15. Controls and Procedures. Our independent registered public accounting firm has issued an attestation report as of March 31, 2017. 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.

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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.

***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;
- 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.

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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.

*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.

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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.

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.***

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The PRC Enterprise Income Tax Law, effective on January 1, 2008, 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.

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***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.

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.



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***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.

***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.

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***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.

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, 2017, except for iKang Beijing Xuanwumen, iKang Beijing Yayun, iKang Guangzhou Huanshi East/Tianghe, 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 Guangzhou Huanshi East/Tianghe, iKang Chengdu Waishuangnan, iKang Chengdu Hongzhaobi, iKang Chongqing, iKang Fuzhou Gulou, iKang Shanghai Xikang Road and iKang Shanghai Lujiazui) 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 5.60% to 5.65% or 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 **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\$246 million as of March 31, 2017.

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.

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.



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***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. By promulgating and implementing these 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.

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).

Circular 698 provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant PRC tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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 Circular 698, 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 Circular 698 and Bulletin 7, and may be required to expend valuable resources to comply with Circular 698 and Bulletin 7 or to establish that we should not be taxed under Circular 698.

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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, Circular 698 and Bulletin 7 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, Circular 698 or Bulletin 7, 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.

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.***

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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.

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**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 11, 2017 was US\$13.83 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;
- 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 2015. 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, 2017, there were 612,724 options and warrants outstanding, which entitle their holders to purchase a total of 612,724 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, 2017, 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:

- 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.

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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, 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; 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, our board of directors extended the Rights Agreement and it is currently scheduled to expire on December 2, 2017.

*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.

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*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 depositary 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 depositary 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 depositary 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, 2017. 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.

**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, 2017, in an effort to further expand our services coverage in China, we acquired or constructed 107 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.

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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.

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 Shimao 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 400 Madison Avenue, 4th Floor, 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**

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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.



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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.

As of the date of this annual report, the special committee of independent directors is in the process of carefully considering and evaluating, with the assistance of the special committee's independent financial and legal advisors, the proposal from Yunfeng Capital, as well as our strategic alternatives.

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.

**Major Equity Investments**

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 July 2017, we, iKang Holding, China Industrial Asset Management Limited (or China Industrial Asset Management), an affiliate of Mr. Lee Ligang Zhang and an affiliate of China Industrial Asset Management 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. The affiliate of Mr. Lee Ligang Zhang and the affiliate of China Industrial Asset Management 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. After operating these medical centers for a period of at least two years, the investment funds will transfer their interests in these medical centers to us at a price equal to their original costs with an annual return rate of 15%.

## **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, 2017, our nationwide network consisted of 107 self-owned medical centers, which contributed the majority of our revenue and our self-owned medical center network covered 32 of the most affluent cities in China, namely Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Tianjin, Nanjing, Suzhou, Hangzhou, Chengdu, Fuzhou, Changchun, Jiangyin, Changzhou, Wuhan, Changsha, Yantai, Yinchuan, Weihai, Weifang, Shenyang, Xi'an, Wuhu, Guiyang, Ningbo, Foshan, Jinan, Bijie, Qingdao, Wuxi, Kaili and Mianyang, 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.

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.

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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\$290.8 million, US\$370.8 million and US\$435.7 million for fiscal 2014, 2015 and 2016, 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.

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 107 self-owned centers and approximately 400 third-party service providers in approximately 210 cities as of March 31, 2017 and (2) outpatient services at nine of our self-owned medical centers and dental treatment at 43 of our self-owned medical centers. In fiscal 2014, 2015 and 2016, we served 94.8%, 95.4% and 95.2% of our customers in our self-owned medical centers and the remaining approximately 5.2%, 4.6% and 4.8% through our third party providers, respectively. In fiscal 2014, 2015 and 2016, the number of visits to our self-owned medical centers amounted to approximately 3,370,000, 4,363,000 and 5,313,000, respectively, while the number of visits to third party service providers amounted to approximately 184,000, 212,000 and 271,000, 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.

Table of Contents**Our Self-Owned Medical Centers**

As of March 31, 2017, we owned and operated an extensive network of 107 medical centers located in 32 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, 2017.

	Medical Center	Year Acquired(1) or Constructed
Beijing		
1	iKang Beijing Ritan	Acquired in 2006
2	iKang Beijing Lidu	Acquired in 2007
3	iKang Beijing Jianguomen	Constructed in 2008
4	iKang Beijing Zhongguancun	Constructed in 2008
5	iKang Beijing Yansha East	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 Tianjian Sunny Health Fengtai	Acquired in 2015
16	Beijing iKang Guobin Sunny Jingchao	Acquired in 2015
17	Beijing iKang Guobin Sunny Jingchun	Acquired in 2015
18	Beijing iKang Guobin Shunping	Constructed in 2016
19	Beijing iKang Guobin Headquarter Base	Constructed in 2016
20	Beijing iKang Guobin Baiyun Shidai Square	Constructed in 2016
21	Beijing Bohui	Acquired in 2016
22	Beijing Zhongpu Bohui	Acquired in 2016
Shanghai		
23	iKang Shanghai Gubei	Acquired in 2007(2)
24	iKang Shanghai Pudong Avenue	Acquired in 2007(2)
25	iKang Shanghai Xikang Road	Acquired in 2007(2)
26	iKang Shanghai Yangpu	Constructed in 2008
27	iKang Shanghai Lujiazui	Acquired in 2010
28	iKang Shanghai Jing'an	Acquired in 2012
29	iKang Shanghai Zhonghuan	Acquired in 2012
30	iKang Shanghai Yan'an East Road	Constructed in 2012
31	iKang Shanghai Yan'an West Road	Constructed in 2012
32	iKang Shanghai Jianwei	Acquired in 2012
33	Shanghai Yuanhua Clinic Co., Ltd.	Acquired in 2013
34	Shanghai Huajian	Acquired in 2014
35	Shanghai Jinxiu Huajian	Acquired in 2014
36	Shanghai Jinshen Huajian	Acquired in 2014
37	Shanghai Zhenjing	Acquired in 2015
38	Shanghai iKang Evergreen	Constructed in 2016
Shenzhen		
39	iKang Shenzhen Nanshan	Acquired in 2007
40	iKang Shenzhen Luohu	Acquired in 2008

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41	iKang Shenzhen Futian	Acquired in 2011
42	iKang Shenzhen Kefa	Acquired in 2013
43	iKang Shenzhen Cultural Building	Constructed in 2016
Guangzhou		
44	iKang Guangzhou Huanshi East	Acquired in 2007(2)
45	iKang Guangzhou Tianhe(3)	Constructed in 2008
46	iKang Guangzhou Wokang	Acquired in 2012
47	Guangzhou Zhujiang New City(4)	Constructed in 2015
48	Guangzhou Zhenxing Traditional Chinese Medical	Acquired in 2015
49	Guangzhou Zhongtai	Constructed in 2016
Nanjing		
50	iKang Nanjing Xinjiekou	Acquired in 2008
51	iKang Nanjing Gulou	Acquired in 2011
52	iKang Nanjing Aoyang(4)	Acquired in 2013
53	iKang Nanjing Hedingqiao	Constructed in 2015
Chengdu		
54	iKang Chengdu Waishuangnan	Constructed in 2009
55	iKang Chengdu Jinjiang	Constructed in 2012
56	Chengdu Gaoxin iKang West City	Constructed in 2014
57	Chengdu iKang Guobin Ommay Health Examination Hospital	Acquired in 2015
58	Chengdu iKang Guobin Luomashi	Constructed in 2016
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	Hangzhou Beige Jiuhuan Road(5)	Acquired in 2015
64	Hangzhou Beige Dongxin Road(5)	Acquired in 2015
65	iKang Hangzhou Jiangnan Avenue	Constructed in 2015
Fuzhou		
66	iKang Fuzhou Gulou	Constructed in 2011
Tianjin		
67	iKang Tianjin Heping	Constructed in 2012
68	iKang Tianjin Hedong Dongrun	Acquired in 2015
69	iKang Tianjin Hexi Fenghui	Acquired in 2015
70	iKang Tianjin Hexi	Constructed in 2015
71	iKang Tianjin Nankai Yuecheng	Constructed in 2016
Chongqing		
72	iKang Chongqing	Constructed in 2012
73	Chongqing iKang Zhuoyue	Constructed in 2015
Suzhou		
74	iKang Suzhou	Constructed in 2012
Wuxi		
75	iKang Wuxi Maoye	Constructed in 2016
Changchun		
76	iKang Changchun	Acquired in 2012
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
Wuhan		
84	iKang Wuhan	Acquired in 2015
85	iKang Zhuoyue Wuhan	Constructed in 2016
Yinchuan		

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	86	iKang Yinchuan	Acquired in 2015
	87	iKang Yinchuan (II)	Constructed in 2016
Yantai			
	88	iKang Yantai	Acquired in 2015
	89	iKang Yantai Health Examination	Acquired in 2015
	90	iKang Yantai Health Examination Laishan	Acquired in 2015
Weihai			
	91	iKang Weihai Medical Examination	Acquired in 2015
Weifang			
	92	iKang Weifang	Acquired in 2015
	93	iKang Guobin Weifang High-Tech Industrial Development Zone	Constructed in 2016
Foshan			
	94	iKang Foshan	Constructed in 2015
Xi an			
	95	Xi an Lianhu Yinglun Hospital	Acquired in 2015
	96	Xi an Yanta Yinglun	Acquired in 2015
	97	Xi an Weiyang Yinglun	Acquired in 2015
Wuhu			
	98	iKang Wuhu	Constructed in 2015
Guiyang			
	99	iKang Guiyang	Acquired in 2015
Ningbo			
	100	Ningbo Haishu iKang Guobin	Constructed in 2016
Jinan			
	101	Jinan iKang Zhuoyue	Constructed in 2016
Qingdao			
	102	Qingdao Shangri-La iKang Zhuoyue	Constructed in 2016
Kaili			
	103	Guizhou Kaili iKang Guobin	Constructed in 2016
Bijie			
	104	Guizhou Bijie iKang Guobin	Constructed in 2016
Hong Kong			
	105	MediFast (Hong Kong) Ltd. (Causeway Bay)	Acquired in 2014
	106	MediFast (Hong Kong) Ltd. (Kowloon)	Acquired in 2014
	107	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.

(5) Currently operated primarily by the minority shareholders or their parent company.

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.



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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 2014, 2015 and 2016, our self-owned medical centers performed approximately 3.4 million, 4.4 million and 5.3 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 81 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.

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.

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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.

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 of approximately 1,260 full-time employees comprised of personnel at our call centers and onsite at our medical centers as of March 31, 2017, 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**

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, 2017, the total downloads of iKang App was approximately 1.06 million and the number of its daily active users is approximately 10,000 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 75 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 and China Unicom, two of China's three major telecommunications carriers. 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.

As of March 31, 2017, we employed 98 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 pursuant to which prohibit our employees from disclosing any confidential information concerning our proprietary technology.

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**Sales and Marketing**

We have a professional and experienced sales team of approximately 2,600 personnel as of March 31, 2017 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 leading PRC e-commerce websites such as Taobao and Tmall 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 107 self-owned medical centers as of March 31, 2017, we acquired 58 medical centers through strategic acquisitions and constructed the other 49.

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).

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 2014, 2015 and 2016, we had approximately 24,200, 30,900 and 36,400 corporate customers, respectively, and approximately 450,700, 518,500 and 722,800 individual customers, respectively. Total customer visits increased from approximately 3,554,000 in fiscal 2014 to approximately 4,575,000 in fiscal 2015, and further to approximately 5,584,000 in fiscal 2016. In fiscal 2014, 2015 and 2016, 83.5%, 83.6% and 83.6% of our net revenues was derived from corporate customers, and 16.5%, 16.4% and 16.4% from individual customers, respectively.



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***Corporate Accounts***

As of March 31, 2017, we had corporate accounts with multinational corporations, private enterprises, government agencies and state-owned enterprises. Our top customers in terms of revenues in fiscal 2016 included banks and insurance companies. We have grown our portfolio of corporate customers from approximately 24,200 corporate customers in fiscal 2014 to 30,900 corporate customers in fiscal 2015, and further to approximately 36,400 corporate customers in fiscal 2016. 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 16.5%, 16.4% and 16.4% of our net revenues in fiscal 2014, 2015 and 2016, 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.

Costs related to medical consumables accounted for 37.4%, 36.2% and 34.7% of our cost of revenues in fiscal 2014, 2015 and 2016, 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 GE, Philips, Siemens, Roche, Beckman, Olympus, Hologic, Kodak, Abbott, Hitachi, Toshiba and Sysmex.

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.

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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, 2017, we have registered 270 trademarks with the PRC Trademark Office of the State Administration for Industry and Commerce. We own or possess the rights to 199 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.

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.

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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.

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.

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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.

***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.



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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.

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.

***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), 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.

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***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.

***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.

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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.

***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.



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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.

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.

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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.

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). 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). 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. By promulgating and implementing these three 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, 2017.

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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, 2017, 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.

<b>Major Subsidiaries</b>	<b>Percentage of Ownership</b>	<b>Place of Incorporation</b>
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
China Private Physicians Clinic Group, Limited	100%	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.

<b>Affiliated Entities</b>	<b>Place of Incorporation</b>
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 will expire on March 16, 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.

*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.

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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 2014, 2015 and 2016, we derived 83.5%, 83.6% and 83.6% 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 24,200 in fiscal 2014 to approximately 30,900 in fiscal 2015, and further to approximately 36,400 in fiscal 2016. 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 16.5%, 16.4% and 16.4% of our net revenues in fiscal 2014, 2015 and 2016, 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.

Table of Contents*Network of Self-Owned Medical Centers*

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 2014, 2015 and 2016, we derived 93.6%, 94.6% and 95.6% 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.

	2015	For the years ended March 31,	
		2016	2017
Medical centers at the beginning of the period	45	58	86
Newly constructed medical centers during the period	3	6	19
Newly acquired medical centers during the period	10	22	2
Medical centers at the end of the period	58	86	107(1)

(1) Among the 107 self-owned medical centers, two medical centers are currently operated primarily by the minority shareholders of these medical centers or their parent company.

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 107 as of March 31, 2017 from 86 as of March 31, 2016. Out of the 21 self-owned medical centers that were added to our medical center network in fiscal 2016, two medical centers were acquired and together contributed 0.9% of our net revenues in fiscal 2016.

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 2014, 2015 and 2016, 6.4%, 5.4% and 4.4% 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 37.4%, 36.2% and 34.7% of our cost of revenues in fiscal 2014, 2015 and 2016, 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 of 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, 2016 and 2017.

Aging period	As of March 31, 2016				
	Gross Accounts Receivables	% of Total	General Reserve	Specific Reserve	Net Accounts Receivables
	(US\$ in thousands, except percentage)				
< 6 months	47,484	53.7%			47,484
6 months - 1 year	15,565	17.6%	(777)		14,788
1-2 years	14,859	16.8%	(2,968)		11,891
2-3 years	6,859	7.8%	(6,859)		
> 3 years	3,725	4.2%	(3,430)	(295)	
Total	88,492	100.0%	(14,034)	(295)	74,163

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

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\$14,900) 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\$14,900) 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 20% general provisions to accounts receivable aging 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 2014, 2015 and 2016, no impairment losses of intangible assets were recognized.

The intangible assets included in our consolidated balance sheet as of March 31, 2016 and 2017 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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*Fair Value of Common and Preferred Shares*

Prior to the listing of our ADSs on the NASDAQ Global Select Market on April 9, 2014, we were a private company with no quoted market prices for our common and preferred shares. We have therefore needed to make estimates of the fair value of our common and preferred shares at various dates for the purpose of determining the fair value of our shares: (1) at each date when we acquired another entity using our common shares and preferred shares as acquisition consideration, (2) at each date when we granted a share-based compensation award to our employees in order to determine the grant date fair value of such award, and (3) at the date of issuance of our convertible instruments in order to determine any beneficial conversion feature.

The fair value of the common shares, preferred shares, convertible instruments and options granted to our employees were estimated by us with assistance of an independent third-party valuation firm.

In determining the fair value of our common and preferred shares, we have considered the guideline prescribed by the AICPA Audit and Accounting Practice Aid, Valuation of Privately-Held Company Equity Securities Issued and Compensation, or the Practice Aid. Specifically, paragraph 16 of the Practice Aid sets forth the preferred types of valuation that should be used.

We used the discounted cash flow, or DCF, method of the income approach to derive the fair value of our common shares with the assistance of our independent third-party appraiser. We considered the market approach and searched for public companies located in China with business nature and in a development stage similar to ours. However, no companies were similar to us in all aspects, and we therefore only used the results obtained from the market approach to assess the reasonableness of the results obtained from the income approach. The determination of the fair value of our common shares required complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair value of our common shares include:

- *Weighted average cost of capital, or WACC:* The WACCs were determined based on a consideration of such factors as risk-free rate, comparative industry risk, equity risk premium, company size and company-specific factors. In deriving the WACCs, which are used as the discount rates under the income approach, certain publicly traded companies in healthcare industry were selected for reference as our guideline companies. To reflect the operating environment in China and the general sentiment in the U.S. capital markets towards the healthcare industry, the guideline companies were selected with consideration of the following factors: (1) the guideline companies should provide similar services, and (2) the guideline companies should either have their principal operations in Asia Pacific region, as we operate in China, and/or are publicly-listed companies in the United States as we plans to list our shares in the United States.
- *DLOM.* When determining the DLOM, the option-pricing method (put option) were applied to quantify the DLOM where applicable. Although it is reasonable to expect that the completion of this offering will add value to our

shares because we will have increased liquidity and marketability as a result of this offering, the amount of additional value can be measured with neither precision nor certainty.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts developed by us. Our revenue and earnings growth rates contributed significantly to the increase in the fair value of our common shares from 2004 to the first to third quarters of 2014. The assumptions used in deriving the fair values were consistent with our business plan. However, these assumptions were inherently uncertain and highly subjective. These assumptions include:

- no material changes in the existing political, legal and economic conditions in China;
- no major changes in the tax rates applicable to our subsidiaries and consolidated affiliated entities in China;
- our ability to retain competent management, key personnel and staff to support our ongoing operations; and

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- no material deviation in market conditions from economic forecasts.

The risk associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which ranged from 15.50% to 25%.

We used the option-pricing method to allocate equity value of our company to preferred and common shares, taking into account the guidance prescribed by the Practice Aid. This method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares based on historical volatility of comparable companies' shares. Had we used different estimates of volatility, the allocations between preferred and common shares would have been different.

***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.

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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.

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.

	2015		For the years ended March 31, 2016		2017	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	(U.S. dollars in thousands, except percentages)					
Net revenues	290,781	100.0	370,812	100.0	435,713	100.0
Cost of revenues	154,943	53.3	210,909	56.9	262,134	60.2
Gross profit	135,838	46.7	159,903	43.1	173,579	39.8
Operating expenses:						
Sales and marketing expenses	41,059	14.1	64,763	17.5	74,304	17.1
General and administrative expenses	52,331	18.0	65,422	17.6	82,783	19.0
Research and development expenses	1,401	0.5	3,716	1.0	3,194	0.7
Income from operations	41,047	14.1	26,002	7.0	13,298	3.1
Loss from forward contracts	(8)	0.0				
Interest expense	(2,466)	0.8	(4,603)	1.2	(13,880)	3.2
Interest income	699	0.2	785	0.2	939	0.2
Other income	883	0.3	1,874	0.5		
	40,155	13.8	24,058	6.5	357	0.1

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Income before provision for income taxes and gain/(loss) from equity method investments						
Income tax expenses	13,280	4.6	5,838	1.6	3,354	0.8
Income/(loss) before gain/(loss) from equity method investments	26,875	9.2	18,220	4.9	(2,997)	0.7
Gain/(loss) from equity method investments	521	0.2	(1,732)	0.5	(9,547)	2.2
Net income/(loss)	27,396	9.4	16,488	4.4	(12,544)	2.9
Less: Net income/(loss) attributable to non-controlling interest	283	0.1	(1,837)	0.5	(1,293)	0.3
Net income/(loss) attributable to iKang Healthcare Group, Inc.	27,113	9.3	18,325	4.9	(11,251)	2.6

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***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.
- 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.

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- *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.

*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 to support our business growth and acquisitions. 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.

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*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 Income.* 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.

*Year Ended March 31, 2016 Compared to Year Ended March 31, 2015*

*Net Revenues.* Net revenues increased 27.5% to US\$370.8 million in fiscal 2015 from US\$290.8 million in fiscal 2014. This increase was primarily due to an increase in revenues from our medical examination services.

- Net revenues from medical examination services increased 25.8% to US\$308.1 million in fiscal 2015 from US\$244.9 million in fiscal 2014. This increase was primarily due to a 30.8% increase in the number of customer visits for medical examinations, which was largely attributable to an increase in the number of corporate customers as a result of our sales efforts and expanded service capacity. The aggregate number of people who used our medical examination services increased to approximately 4,293,000 in fiscal 2015 from approximately 3,282,000 in fiscal 2014. The overall average price for our medical examination services decreased to US\$72 per person for fiscal 2015 compared to US\$75 per person for fiscal 2014.
- Net revenues from disease screening services increased 37.6% to US\$27.1 million in fiscal 2015 from US\$19.7 million in fiscal 2014, primarily due to (1) a 27.3% increase in the number of people who used our disease screening services, reflecting our increased sales efforts to develop our disease screening business, and (2) an increase in the overall average price for our disease screening services. The number of people who used our disease screening services increased to approximately 633,000 in fiscal 2015 from approximately 497,000 in fiscal 2014.
- Net revenues from other services increased 36.4% to US\$35.7 million in fiscal 2015 from US\$26.1 million in fiscal 2014, primarily due to (1) the revenue contribution from acquired medical centers of Zhenjing which provide outpatient services, and (2) an increase in net revenues from our dental care services and medical consultancy services attributable to our continued efforts to promote our these services.

*Cost of Revenues.* Cost of revenues increased 36.1% to US\$210.9 million in fiscal 2015 from US\$154.9 million in fiscal 2014. Cost of revenues as a percentage of our net revenues increased to 56.9% in fiscal 2015 from 53.3% in fiscal 2014.



- *Medical Consumables and Outsourced Services.* Cost of revenues relating to medical consumables and outsourced services increased 31.7% to US\$76.4 million in fiscal 2015 from US\$58.0 million in fiscal 2014, primarily due to the continued growth of our medical examination and disease screening businesses. Cost of revenues relating to medical consumables and outsourced services as a percentage of our net revenues slightly increased to 20.6% in fiscal 2015 from 20.0% in fiscal 2014.
- *Salaries and Benefits.* Cost of revenues relating to salaries and benefits increased 40.7% to US\$67.0 million in fiscal 2015 from US\$47.6 million in fiscal 2014, primarily due to (1) an increase in the number of doctors and nurses as the number of our medical centers increased to 86 as of March 31, 2016 from 58 as of March 31, 2015, 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 18.1% in fiscal 2015 from 16.4% in fiscal 2014.
- *Rental and Office Expenses.* Rental and office expenses increased 39.3% to US\$49.9 million in fiscal 2015 from US\$35.8 million in fiscal 2014, primarily due to the increase in the number of our self-owned medical centers to 86 as of March 31, 2016 from 58 as of March 31, 2015. Cost of revenues relating to rental and office expenses as a percentage of our net revenues increased to 13.5% in fiscal 2015 from 12.3% in fiscal 2014.
- *Depreciation and Amortization.* Depreciation and amortization cost increased 30.3% to US\$17.6 million in fiscal 2015 from US\$13.5 million in fiscal 2014, primarily due to our purchase of new medical equipment in fiscal 2015 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 4.7% in fiscal 2015 from 4.6% in fiscal 2014.

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*Gross Profit and Gross Margin.* Gross profit increased 17.7% to US\$159.9 million in fiscal 2015 from US\$135.8 million in fiscal 2014. Gross margin decreased to 43.1% in fiscal 2015 from 46.7% in fiscal 2014, primarily due to the relatively low gross margins achieved by our new medical centers in fiscal 2015 as they were still in the ramp-up stage.

*Operating Expenses.* Total operating expenses increased 41.3% to US\$133.9 million in fiscal 2015 from US\$94.8 million in fiscal 2014. Operating expenses as a percentage of our net revenues increased to 36.1% in fiscal 2015 from 32.6% in fiscal 2014.

- *Sales and Marketing Expenses.* Sales and marketing expenses increased 57.7% to US\$64.8 million in fiscal 2015 from US\$41.1 million in fiscal 2014, primarily due to (1) a US\$8.9 million increase in advertising expenses as a result of our increased advertising and marketing activities in fiscal 2015 in line with our overall business growth, (2) a US\$8.2 million increase in salaries and employee benefits arising from increased headcount of our sales and marketing department to enhance our sales efforts and increased performance-based salaries for our sales and marketing personnel, and (3) a US\$5.2 million increase in amortization of intangible assets. As a percentage of our net revenues, sales and marketing expenses increased to 17.5% in fiscal 2015 from 14.1% in fiscal 2014.

- *General and Administrative Expenses.* General and administrative expenses increased 25.0% to US\$65.4 million in fiscal 2015 from US\$52.3 million in fiscal 2014, primarily due to (1) a US\$4.2 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 (2) a US\$2.0 million increase in professional fees for valuation, legal, tax and consulting services provided by professional advisors. As a percentage of our net revenues, general and administrative expenses decreased to 17.6% in fiscal 2015 from 18.0% in fiscal 2014.

- *Research and Development Expenses.* Research and development expenses increased significantly to US\$3.7 million in fiscal 2015 from US\$1.4 million in fiscal 2014, primarily due to our increasing investment in information technology infrastructure and mobile health app.

*Interest Expense.* Our interest expense increased 86.7% to US\$4.6 million in fiscal 2015 from US\$2.5 million in fiscal 2014, primarily due to an increase in our short-term borrowing and long-term borrowing to US\$282.8 million in fiscal 2015 from US\$56.8 million in fiscal 2014.

*Interest Income.* Our interest income increased to US\$785,000 in fiscal 2015 from US\$699,000 in fiscal 2014.

*Income Tax Expenses.* Income tax expense decreased 56.0% to US\$5.8 million in fiscal 2015 from US\$13.3 million in fiscal 2014, primarily due to the decrease in effective income tax rate and our profit.

*Net Income.* As a result of the foregoing, our net income decreased 39.8% to US\$16.5 million in fiscal 2015 from US\$27.4 million in fiscal 2014.

## **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, 2017, we had US\$64.9 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, 2015, 2016 and 2017, our total current liabilities amounted to US\$163.1 million, US\$199.0 million and US\$287.2 million, respectively. We had short-term borrowings of US\$56.8 million, US\$53.4 million and US\$111.3 million outstanding as of March 31, 2015, 2016 and 2017, respectively. As of March 31, 2015, 2016 and 2017, the outstanding balance of our long-term borrowings was nil, US\$229.5 million and US\$101.7 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 US\$29.1 million for these loans in January 2017 and entered into supplemental agreements with two lenders in January and July 2017, respectively, to extend the term of the loan agreements with them to December 2018. The loans bear interest at a rate of 5% per annum which is subject to adjustments relating to our privatization transaction. 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 2016 was US\$11.8 million and the interest rates applicable to these loans in fiscal 2016 were 5% or 8%.

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 24.5% as of March 31, 2017 compared to 28.8% as of March 31, 2016. Accounts receivable that were aged over one year accounted for 21.9% of our gross accounts receivable as of March 31, 2015. Days of sales outstanding decreased to 79 days in fiscal 2016 from 87 days in fiscal 2015 as we improved our management of accounts receivables.

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

	2015	For the years ended March 31, 2016 (U.S. dollars in thousands)	2017
Net cash generated from operating activities	41,097	43,602	50,043
Net cash used in investing activities	(147,062)	(261,533)	(32,011)
Net cash provided by/(used in) financing activities	173,570	237,465	(52,421)
Effect of exchange rate changes	(490)	(8,759)	(8,824)
Net increase/(decrease) in cash and cash equivalents	67,115	10,775	(43,213)
Cash and cash equivalents at the beginning of year	30,221	97,336	108,111
Cash and cash equivalents at the end of year	97,336	108,111	64,898

***Operating Activities***

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.

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Net cash generated from operating activities amounted to US\$41.1 million in fiscal 2014, which was primarily attributable to (1) net income of US\$27.4 million, (2) an increase in deferred revenues of US\$6.5 million as a result of the increased advance payments from our corporate customers in line with the growth of revenues from corporate customers, (3) an increase in accounts payable of US\$6.1 million attributable to the increase in payables to suppliers and third-party service providers in line with the growth of our business, and (4) an increase in accrued expenses and other current liabilities of US\$2.1 million attributable to accrued payroll and performance-based bonuses for our employees, which was partially offset by the increase in accounts receivable of US\$22.3 million because our businesses continued to grow and we provided certain corporate customers with longer contract terms. This was positively adjusted for certain non-cash expense consisting primarily of (1) depreciation and amortization of US\$19.9 million, (2) share-based compensation of US\$9.2 million, and (3) provision for doubtful account of US\$3.8 million primarily due to the increase in accounts receivable.

***Investing Activities***

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.

Net cash used in investing activities amounted to US\$147.1 million in fiscal 2014, which was primarily attributable to (1) restricted cash in the amount of US\$36.2 million in connection with our pledge overseas and borrow locally transactions in China to meet our Renminbi funding needs, (2) an increase of term deposit in the amount of US\$14.6 million, (3) property refurbishment and purchase of medical equipment in the amount of US\$39.8 million to support our business growth, and (4) payment for the medical centers we acquired in fiscal 2014 in the amount of US\$34.4 million.

***Financing Activities***

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.

Net cash provided by financing activities amounted to US\$173.6 million in fiscal 2014, which was primarily attributable to (1) the proceeds in the amount of US\$149.2 million from our initial public offering, and (2) the proceeds in the amount of US\$59.4 million from short-term borrowings, which was partially offset by (1) our repayment of short-term borrowings in the amount of US\$20.9 million and (2) the cash we paid for purchase of non-controlling interest of iKang Shanghai Xikang Road in the amount of US\$8.1 million.

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*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\$96.4 million, US\$76.3 million and US\$65.8 million in fiscal 2014, 2015 and 2016, respectively. We expect to continue to invest in acquisitions of medical centers and the purchase of medical equipment through fiscal 2017. Our actual future capital expenditures may differ from the amounts for fiscal 2014, 2015 and 2016 as indicated above. We expect cash generated from our operating activities and financing activities will meet our capital expenditure needs in the foreseeable future.

**C. PRODUCT DEVELOPMENT**

As of March 31, 2017, we employed 98 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 2014, 2015 and 2016, our research and development expenses were US\$1.4 million, US\$3.7 million and US\$3.2 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 2016 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. The following table sets forth our contractual obligations as of March 31, 2017.

	Total	Less than 1 year	Payment due by period		
			1-3 years	3-5 years	More than 5 years
			(U.S. dollars in thousands)		
Operating lease obligations	370,112	63,606	103,758	80,506	122,242
Short-term borrowings	111,299	111,299			
Long-term borrowings	101,697		101,697		

**G. SAFE HARBOR**

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

Table of Contents**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.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Lee Ligang Zhang	46	Chairman of the Board of Directors, Chief Executive Officer
Boquan He	56	Director, Vice Chairman
Feiyan Huang	46	Director, Chief Operating Officer
Minjian Shi	55	Director
Ruby Lu	46	Independent Director
Thomas McCoy Roberts	69	Independent Director
Daqing Qi	53	Independent Director
Man Ho Kee Harry	41	Independent Director
Gavin Zhengdong Ni	43	Independent Director
Yang Chen	47	Chief Financial Officer
Yafang Zhou	58	Senior Vice President
Elmer Liu	53	Vice President
Jinfeng Pan	45	Vice President
Hua Liu	39	Vice President
Xiaojiang Zhou	35	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.

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**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.

**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, Honghua Group Limited, SinoMedia Holding Limited, Dalian Wanda Commercial Properties Co., Ltd., Jutal Offshore Oil Services Limited and Reorient Group Limited, all of which are listed on the Hong Kong Stock Exchange, and Autonavi Holding Limited and Bona Film Group Limited. 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.

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*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.

*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 2016, the aggregate cash compensation paid to our directors and executive officers was approximately US\$3.9 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.

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**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.

*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
Feiyan Huang	*	5.1288	March 18, 2013	March 17, 2023
Yang Chen	*	6.0000	September 12, 2013	September 11, 2023
Yafang Zhou	*	5.1288	February 27, 2014	February 26, 2024
Hua Liu	*	5.1288	March 18, 2013	March 17, 2023
Xiaojiang Zhou	*	5.1288	March 18, 2013	March 17, 2023
Other individuals	*	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

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

As of March 31, 2017, we had not issued restricted shares to any of our directors or executive officers. As of March 31, 2017, 612,724 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.

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.

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**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;
- 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.

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*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.

**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 7,102, 11,535 and 14,801 employees as of March 31, 2015, 2016 and 2017. The following table sets forth certain information about our employees by function as of March 31, 2017.

	<b>Number of Employees</b>
Doctors	5,179
Nurses	4,098
Sales	2,616
Marketing and Support	276
Administrative and Management	889
Medical and Support	1,480
Information Technology	263
<b>Total</b>	<b>14,801</b>

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We have entered into employment agreements with each of our employees. Our employees usually 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**

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, 2017:

- 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, 2017.

The calculations in the table below are based on that there were 34,249,977 common shares outstanding as of June 30, 2017, comprising of 33,444,877 Class A common shares and 805,100 Class C common shares, excluding 471,563 Class A common shares issued to our depositary 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	%
<b>Directors and Executive Officers:</b>		
Lee Ligang Zhang(1)	4,374,371	12.72
Boquan He(2)	4,448,575	12.99
Man Ho Kee Harry		
Feiyan Huang(3)	387,865	1.13
Minjian Shi (4)	466,831	1.36
Thomas McCoy Roberts	*	*
Daqing Qi		
Ruby Lu		
Yang Chen	*	*
Yafang Zhou	*	*
Elmer Liu		
Jinfeng Pan	*	*
Hua Liu		
Xiaojiang Zhou		
<b>All directors and executive officers as a group</b>	<b>9,901,729</b>	<b>28.63</b>
<b>Principal Shareholders:</b>		
Top Fortune Win Ltd.(5)	4,448,575	12.99
ShanghaiMed, Inc.(6)	3,042,550	8.41
Ora Investment Pte Ltd.(7)	3,331,740	9.73

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

(1) Represents (1) 2,892,550 Class A common shares (including 628,410 Class A common shares as represented by 1,256,820 ADSs) owned by ShanghaiMed, Inc., a British Virgin Islands company wholly owned by Time Intelligent Finance Limited, (2) 526,721 Class A common shares owned by Time Intelligent Finance Limited, a British Virgin Islands company; (3) 805,100 Class C common shares owned by Time Intelligent Finance Limited, and (4) 150,000 Class A common shares that Mr. Lee Ligang Zhang has the right to acquire within 60 days through the exercise of stock options. Mr. Lee Ligang Zhang's family trust is the beneficial owner of Time Intelligent Finance Limited through certain trust arrangements. The business address of Mr. Lee Ligang Zhang is Shimao Tower B-6F, 92A Jianguo Road, Chaoyang District, Beijing 100022, China.

(2) Represents 4,448,575 Class A common shares owned by Top Fortune Win Ltd., a British Virgin Islands company ultimately owned by Mr. Boquan He. The business address of Mr. Boquan He is Shimao Tower B-6F, 92A Jianguo Road, Chaoyang District, Beijing 100022, China.

(3) Represents 387,865 Class A common shares owned by Gold Partner Consultants Limited, a British Virgin Islands company. 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 Shimao Tower B-6F, 92A Jianguo Road, Chaoyang District, Beijing 100022, China.

(4) Represents 466,831 Class A common shares owned by Favoured Star Ltd., a British Virgin Islands company ultimately owned by Mr. Minjian Shi. The business address of Mr. Minjian Shi is Shima Tower B-6F, 92A Jianguo Road, Chaoyang District, Beijing 100022, China.

(5) Represents 4,448,575 Class A common shares owned by Top Fortune Win Ltd., a British Virgin Islands company ultimately owned by Mr. Boquan He. The registered address of Top Fortune Win Ltd. is Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola, VG1110, British Virgin Islands.

(6) Represents 2,892,550 Class A common shares (including 628,410 Class A common shares as represented by 1,256,820 ADSs) and 150,000 Class A common shares issuable through the exercise of stock options owned by ShanghaiMed, Inc. which is wholly owned by Time Intelligent Finance Limited, as reported in a Schedule 13D/A filed by it and its affiliates on June 7, 2016. The registered address of ShanghaiMed, Inc. is Palm Grove House, P.O. Box 3186, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

(7) Represents 3,331,740 Class A common shares owned by Ora Investment Pte Ltd., a limited liability company organized and existing under the laws of Singapore, as reported in a Schedule 13G/A filed by it and its affiliates on February 8, 2017. 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.

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. To our knowledge, as of June 30, 2017, approximately 72.2% of our common shares were held of record by three holders in the United States, including approximately 72.0% 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.

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**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 July 2017, we, iKang Holding, China Industrial Asset Management, an affiliate of Mr. Lee Ligang Zhang and an affiliate of China Industrial Asset Management 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. The affiliate of Mr. Lee Ligang Zhang and the affiliate of China Industrial Asset Management 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. For more details about the investment funds, 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, 2017, the balance of amount due from this non-controlling shareholder was US\$4.5 million.

In March 2014, we provided a loan to Shanghai Huajian Clinic, Ltd., a medical center wholly owned by iKang Holding, in the amount of US\$1.3 million to support its operations. The loan was unsecured and interest free. The loan was repaid in September 2014.

In August 2011, iKang Holding entered into an agreement with Mr. Boquan He, a director of our company and the holder of a 35% equity interest in iKang Shanghai Xikang Road pursuant to which iKang Holding purchased the 35% equity interest in iKang Shanghai Xikang Road held by Mr. Boquan He with an aggregate consideration of US\$15.9 million. We paid the aggregate amount of US\$7.1 million in 2011 and 2013 in connection with this acquisition and paid US\$1.0 million for individual income tax on behalf of Mr. Boquan He in March 2014. The remaining balance of US\$8.0 million in connection with this acquisition was settled in June 2014.

#### **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.

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**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.

**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. The People's Court of Chaoyang District of Beijing 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 11, 2017, the last reported closing price for our ADSs was US\$13.83 per ADS.

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	Market Price (US\$)	
	High	Low
<b>Fiscal 2014 (from April 9, 2014)</b>	22.65	13.06
<b>Fiscal 2015</b>	22.31	14.00
First quarter in fiscal 2015	22.31	16.19
Second quarter in fiscal 2015	19.25	14.00
Third quarter in fiscal 2015	21.34	15.09
Fourth quarter in fiscal 2015	22.04	19.14
<b>Fiscal 2016</b>	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
February 2017	17.52	16.02
March 2017	16.06	14.60
<b>Fiscal 2017</b>		
First quarter in fiscal 2017	15.63	12.15
Second quarter in fiscal 2017 (through August 11, 2017)	14.34	11.73
April 2017	14.76	14.32
May 2017	15.63	14.56
June 2017	15.29	12.15
July 2017	12.64	11.73
August 2017 (through August 11, 2017)	14.34	12.39

**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.

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.

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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. 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), unless a reduced rate is provided under any 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, unless such individuals qualify for a lower rate under a tax treaty. Under the PRC-U.S. tax treaty, a 10% preferential rate of withholding 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.

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.

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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 voting stock;

- 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.

*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.



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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. Capital gains realized by a U.S. Holder generally give rise to U.S. source gain for foreign tax credit purposes. However, a U.S. Holder that is eligible for the benefits of the Treaty might be able to elect to treat the disposition gain as foreign-source gain for foreign tax credit purposes and claim a credit in respect of the PRC tax. 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, 2017. 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.

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.

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.

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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 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 entities closely-held by individuals may be required to report information relating to securities of non-U.S. companies, or accounts through which they are held, subject to certain exceptions (including an exception for securities held in accounts maintained by U.S. financial institutions). 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.

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**G. STATEMENTS BY EXPERTS**

Not applicable.

**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.

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*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, 2017, our total outstanding borrowings and loans amounted to US\$213.0 million with interest rates ranging from 4.13% to 8.00%. 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.

**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 depository 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, 2017, 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,

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

As of March 31, 2017, 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, 2017, the end of the period covered by this report. Based on such evaluation, our management has concluded that, as of March 31, 2017, 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.

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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, 2017. 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, 2017 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.

We have audited the internal control over financial reporting of iKang Healthcare Group, Inc. (the Company), and its subsidiaries, its variable interest entities (VIEs) and VIEs subsidiaries (collectively, the Group) as of March 31, 2017, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group'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 Group's internal control over financial reporting based on our audit.

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We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 consolidated 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 consolidated financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended March 31, 2017 of the Group and our report dated August 15, 2017 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

August 15, 2017

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting during fiscal 2016 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.

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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.

**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](http://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 2015 and 2016. We did not pay any other fees to our auditors during the periods indicated below.

	For the years ended March 31,	
	2016	2017
	(U.S. dollars in thousands)	
Audit fees(1)	1,420	1,419
Audit-related fees(2)		31
Tax fee(3)	31	
All other fees		
<b>Total</b>	<b>1,451</b>	<b>1,450</b>

(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 2016. 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**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1	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)
2.1	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)
2.2	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)
2.3	Form of Deposit Agreement among the Registrant, the Depositary 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)

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<b>Exhibit Number</b>	<b>Description of Document</b>
2.4	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)
2.5	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)
4.1	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)
4.2	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)
4.3	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)
4.4	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)
4.5	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)
4.6	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)
4.7*	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)
4.8	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)
4.9	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)
4.10	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)
4.11	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)
4.12	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)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.13	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)
4.14	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)
4.15	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)
4.16	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)
4.17	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)
4.18	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)
4.19	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)
4.20	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)
4.21	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)
4.22	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)
4.23	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)
4.24	Statement and Acknowledgment executed by Ma Rui dated December 30, 2013 (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)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.25	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)
4.26	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)
4.27	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)
4.28	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 4.29 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)
4.29	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)
4.30	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)
4.31	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)
4.32	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)
4.33	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)
4.34	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)
4.35	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)
4.36	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)
4.37*	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)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.38*	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)
4.39*	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)
4.40*	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)
4.41*	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)
4.42*	Power of Attorney executed by Hu Haiqing in favor of Yuanhua Medical Consultancy Services (Shanghai) Co. dated March 17, 2017 (English translation)
4.43*	Power of Attorney executed by Tan Juan in favor of Yuanhua Medical Consultancy Services (Shanghai) Co. dated March 17, 2017 (English translation)
4.44*	Supplemental Agreement to the Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated January 17, 2017 (English translation)
4.45*	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)
4.46*	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)
8.1*	List of Significant Subsidiaries of the Registrant
11.1	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)
12.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Conyers Dill & Pearman
15.2*	Consent of King & Wood Mallesons
15.3*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, an Independent Registered Public Accounting Firm
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

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\* 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 15, 2017

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**IKANG HEALTHCARE GROUP, INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2015, 2016 AND 2017**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF

IKANG HEALTHCARE GROUP, INC.

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, 2016 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, 2017. Our audits also included the related financial statement schedule included in Schedule I. These consolidated financial statements and financial statement schedule are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2016 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of March 31, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 15, 2017 expressed an unqualified opinion on the Group's internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

August 15, 2017



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

	2016	March 31,	2017
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 108,111	\$	64,898
Restricted cash	31,836		392
Term deposits	12,202		4,359
Accounts receivable, net of allowance for doubtful accounts of \$14,329 and \$14,261 as of March 31, 2016 and 2017, respectively	74,163		79,576
Inventories	4,015		6,781
Deferred tax assets-current	8,064		9,635
Amount due from related parties	4,653		4,538
Prepaid expenses and other current assets	62,659		49,736
<b>Total current assets</b>	<b>\$ 305,703</b>	<b>\$</b>	<b>219,915</b>
Property and equipment, net	130,170		163,081
Acquired intangible assets, net	37,179		25,852
Goodwill	108,839		107,237
Long-term investments	200,108		180,758
Deferred tax assets-non-current	8,077		16,698
Rental deposit and other non-current assets	13,565		14,950
<b>TOTAL ASSETS</b>	<b>\$ 803,641</b>	<b>\$</b>	<b>728,491</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable (including accounts payable of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$22,685 and \$34,637 of March 31, 2016 and 2017, respectively)	\$ 28,135	\$	39,892
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 \$41,319 and \$48,910 of March 31, 2016 and 2017, respectively)	47,404		59,278
Income tax payable (including income tax payable of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$7,386 and \$6,414 of March 31, 2016 and 2017, respectively)	8,216		11,951
Deferred revenues (including deferred revenues of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$52,210 and \$57,361 of March 31, 2016 and 2017, respectively)	61,881		64,740
Short term borrowings (including short term borrowings of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of \$53,364 and \$111,299 of March 31, 2016 and 2017, respectively)	53,364		111,299

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Total current liabilities	\$	199,000	\$	287,160
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Table of Contents**IKANG HEALTHCARE GROUP, INC.****CONSOLIDATED BALANCE SHEETS - continued****(In thousands of US dollars, except share data and per share data, or otherwise noted)**

	2016	March 31,	2017
Long-term borrowings (including long term borrowings of the consolidated VIEs and VIEs subsidiaries without recourse to iKang Healthcare Group, Inc. of 229,467 and \$101,697 of March 31, 2016 and 2017, respectively)	229,467		101,697
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 \$9,422 and \$7,009 of March 31, 2016 and 2017, respectively)	9,772		7,229
<b>TOTAL LIABILITIES</b>	<b>\$ 438,239</b>		<b>\$ 396,086</b>
Commitments and contingencies (Note 23)			
Equity			
iKang Healthcare Group, Inc. shareholders' equity			
Class A common shares (\$0.01 par value; 37,648,485 shares authorized as of March 31, 2016 and 2017, 33,556,439 and 33,916,439 issued and outstanding as of March 31, 2016 and 2017, respectively)	335		339
Class C common shares (\$0.01 par value; 2,000,000 shares authorized as of March 31, 2016 and 2017, 805,100 shares Issued and outstanding as of March 31, 2016 and 2017)	8		8
Additional paid-in capital	436,746		436,649
Statutory reserve	11,529		14,761
Accumulated deficit	(98,215)		(112,698)
Accumulated other comprehensive loss	(7,577)		(26,622)
Total iKang Healthcare Group, Inc. shareholders' equity	342,826		312,437
Non-controlling interests	22,576		19,968
<b>TOTAL EQUITY</b>	<b>365,402</b>		<b>332,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 803,641</b>		<b>\$ 728,491</b>

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 data and per share data, or otherwise noted)**

	For the years ended March 31,		
	2015	2016	2017
Net revenues	\$ 290,781	\$ 370,812	\$ 435,713
Cost of revenues	154,943	210,909	262,134
Gross profit	135,838	159,903	173,579
Operating expenses:			
Selling and marketing expenses	41,059	64,763	74,304
General and administrative expenses (including share-based compensation expenses of \$9,153, \$1,949 and \$1,941 in 2015, 2016 and 2017, respectively)	52,331	65,422	82,783
Research and development expenses	1,401	3,716	3,194
Total operating expenses	94,791	133,901	160,281
Income from operations	41,047	26,002	13,298
Loss from forward contracts	(8)		
Interest expense	(2,466)	(4,603)	(13,880)
Interest income	699	785	939
Other income	883	1,874	
Income before provision for income taxes and gain/(loss) from equity method investments	40,155	24,058	357
Income tax expenses	13,280	5,838	3,354
Income/(loss) before gain/(loss) from equity method investments	26,875	18,220	(2,997)
Gain/(loss) from equity method investments	521	(1,732)	(9,547)
Net income/(loss)	27,396	16,488	(12,544)
Less: Net income/(loss) attributable to non-controlling interest	283	(1,837)	(1,293)
Net income/(loss) attributable to iKang Healthcare Group, Inc.	27,113	18,325	(11,251)
Deemed dividend to preferred shareholders	100		
Undistributed earnings allocated to preferred shareholders	201		
Net income/(loss) attributable to common and preferred shareholders of iKang Healthcare Group, Inc.	\$ 26,812	\$ 18,325	\$ (11,251)
Net income/(loss) per share attributable to common shareholders of iKang Healthcare Group, Inc.			
Basic	\$ 0.82	\$ 0.55	\$ (0.33)
Diluted	\$ 0.79	\$ 0.54	\$ (0.33)

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Weighted average shares used in calculating net income (loss) per  
common share

Basic	32,884,357	33,583,005	34,060,579
Diluted	34,114,872	34,235,542	34,060,579

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 data and per share data, or otherwise noted)**

	<b>For the years ended March 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Net income/(loss)	\$ 27,396	\$ 16,488	\$ (12,544)
Other comprehensive income/(loss): foreign currency translation adjustment	196	(12,187)	(20,252)
unrealized gain/(loss) on available-for-sale investments (net of taxes of nil, \$47 and \$40)		186	(161)
Comprehensive income/(loss)	27,592	4,487	(32,957)
Less: comprehensive income/(loss) attributable to non-controlling interest	307	(2,321)	(2,661)
Comprehensive income/(loss) attributable iKang Healthcare Group, Inc.	\$ 27,285	\$ 6,808	\$ (30,296)

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



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## IKANG HEALTHCARE GROUP, INC.

## CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Common Shares	Common Amount	Additional paid-in capital	Statutory reserve	Accumulated deficit	Accumulated other comprehensive income	iKang s shareholder equity	Non-controlling interest	Total shareholders equity
Balance at March 31, 2014	6,169,674	\$ 61	\$ 1,342	\$ 5,005	\$ (137,129)	\$ 3,764	\$ (126,957)	\$ 3,818	\$ (123,139)
Provision for statutory reserve				3,394	(3,394)				
Conversion of participating convertible redeemable preferred shares to common shares	20,781,515	208	264,301				264,509		264,509
Share-based compensation expenses			9,153				9,153		9,153
Issuance of common shares upon initial public offering, net of offering costs of \$2,882	5,215,794	52	132,885				132,937		132,937
Issuance of common shares upon Green Shoe	514,556	5	13,394				13,399		13,399
Issuance of common shares in connection with exercise of options	80,000	1	821				822		822
Issuance of common shares, to option pool, in connection with share-based compensation arrangement	1,600,000	16					16		16
Addition of non-controlling interest in connection with acquisition of WA Centers HK Limited								3,388	3,388
Capital contribution of non-controlling interest holder of Jiandatong Health Technology (Beijing) Co., Ltd.								58	58
Capital contribution of non-controlling interest holder of Shanghai iKang Jianwei Health Management Co., Ltd.				(50)			(50)	50	
Capital contribution of non-controlling interest holder of WA Centers HK Limited				(1,984)			(1,984)	1,984	
Dividend distribution to non-controlling interest holder of MediFast (Hong Kong) Limited								(387)	(387)
Net income					27,113		27,113	283	27,396

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Foreign currency translation adjustment						172	172	24	196								
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 Shanghai Wangzu Guobin Medical Center Co., Ltd.					(302)								(302)			(486)	(788)
Purchase of non-controlling interest of Beijing Tianzhikangjian Investment Management Co., Ltd.																(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.																1,613	1,613
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.																2,416	2,416
Addition of non-controlling interest in connection with acquisition of Xi'an iKang Guobin Medical Examination Management Co., Ltd.																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,																551	551

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Limited																	
Addition of non-controlling interest in connection with establishment of Wuhu iKang Guobin Clinic Co. Ltd.							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			18,325			18,325	(1,837)		16,488								
Foreign currency translation adjustment			(11,703)			(11,703)	(484)		(12,187)								
Unrealized gain on available-for-sale investment			186			186			186								
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 CHANGE IN EQUITY - continued

(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Common		Additional	Statutory	Accumulated	Accumulated	iKang s	Non-controlling	Total
	Shares	Amount	paid-in	reserve	deficit	other	shareholder	interest	shareholders
			capital			comprehensive	equity		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	0					0		0
Purchase of non-controlling interest of Shenzhen iKang Guobin Hospital Management Co., Ltd.			(3,362)				(3,362)	906	(2,456)
Capital contribution from non-controlling interest in connection with establishment of Wuxi iKang Guobin Clinic Co. Ltd.								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 adjustment						(18,884)	(18,884)	(1,368)	(20,252)
Unrealized loss on available-for-sale investment						(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

- (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 data and per share data, or otherwise noted)**

	For the years ended March 31,		
	2015	2016	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income/(loss)	\$ 27,396	\$ 16,488	\$ (12,544)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	19,912	30,394	37,413
Share-based compensation expenses	9,153	1,949	1,941
Loss on disposal of property and equipment	1	281	276
Loss on liquidation of a subsidiary		106	
Gain from disposal of cost method investment		(1,772)	
Allowance for doubtful accounts	3,758	8,509	6,136
(Gain)/ loss from equity method investments	(521)	1,732	9,547
Fair value change of previously held 33% equity interest of Shanghai Huajian Health Examination Management Co., Ltd.	(883)		
Changes in assets and liabilities			
Accounts receivable	(22,324)	(22,632)	(16,271)
Inventories	(698)	(1,279)	(3,103)
Prepaid expenses and other current assets	(5,300)	(10,069)	3,165
Deferred tax assets	(2,147)	(8,296)	(11,476)
Rental deposit and other long-term assets	(2,253)	(2,781)	(2,150)
Accounts payable	6,115	4,766	9,337
Accrued expenses and other current liabilities	2,123	3,979	18,741
Income tax payable	1,129	702	4,368
Deferred revenues	6,546	23,914	6,846
Deferred government subsidy	(47)	(61)	
Deferred tax liabilities	(863)	(2,328)	(2,183)
Net cash generated from operating activities	41,097	43,602	50,043
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Restricted cash	(36,232)	20,772	30,124
Term deposits	(14,621)	2,361	7,679
Purchase of property and equipment	(39,767)	(37,024)	(63,389)
Purchase of intangible assets	(339)	(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 \$1,270, \$10,165 and \$6 for years ended March 31, 2015, 2016 and 2017, respectively)	(56,654)	(37,249)	(2,371)
Payment for long-term investments		(204,414)	(5,473)
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 a related party		(4,719)	(2,508)
Repayment of loan by a related party	1,291		2,324
Payment of loan receivables	(740)	(1,000)	
Net cash used in investing activities	(147,062)	(261,533)	(32,011)

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from issuance of common shares upon initial public offering	135,819		
Proceeds from issuance of common shares upon Green Shoe.	13,399		
Payments of initial public offering cost	(3,574)		
Proceeds from exercise of share options	824	8,035	1,324
Capital contribution from non-controlling interest shareholders	58	567	134
Purchase of non-controlling interest of Shanghai Guobin Medical Center Co., Ltd.	(8,077)		
Dividend distribution to a non-controlling interest shareholder of MediFast (Hong Kong) Limited	(193)	(250)	(704)
Dividend distribution to a non-controlling interest shareholder of Shanghai Wangzu Guobin Medical Center Co., Ltd.		(545)	
Payments for business acquisitions	(1,329)	(1,853)	
Payments for assets acquisition	(32)		
Proceeds from long-term loans		220,223	
Proceeds from short-term borrowings			