

iKang Healthcare Group, Inc.
Form 20-F/A
July 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A

(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, 2014.

OR

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

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

For the transition period from to

Commission file number: 001- 36403

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iKang Healthcare Group, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

B-6F Shimao Tower, 92A Jianguo Road

Chaoyang District

Beijing 100022

People's Republic of China

(Address of principal executive offices)

Yang Chen, Chief Financial Officer

Telephone: +86 10 5320 6080

Email: luke.chen@ikang.com

Facsimile: +86 10 5320 6689

B-6F Shimao Tower, 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 (The NASDAQ Global Select Market)
Class A common shares, par value US\$0.01 per share*	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.

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

None
(Title of Class)

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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: The registrant completed the initial public offering of its Class A common share on April 14, 2014. Accordingly, there was no public market for the registrant's common shares as of March 31, 2014. As of July 24, 2014, there were 31,936,439 Class A common shares outstanding and 805,100 Class C common shares outstanding.

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 Web site, 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, or a non-accelerated filer.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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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

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on Form 20-F for the fiscal year ended March 31, 2014, which we filed with the Securities and Exchange Commission on July 25, 2014, for the sole purpose of adding the date on the Report of Independent Registered Public Auditing Firm as below.

No other changes have been made to our Annual Report on Form 20-F. This Amendment No. 1 does not reflect events that have occurred after the July 25, 2014 filing date of our Annual Report on Form 20-F, or modify or update the disclosure therein, except to reflect the amendment described above.

IKANG HEALTHCARE GROUP, INC.

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FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014**

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REPORT OF INDEPENDENT REGISTERED PUBLIC AUDITING 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, 2013 and 2014 and the related consolidated statements of operations, comprehensive income, changes in equity (deficit) and cash flows for the three years in the period ended March 31, 2014, and the related financial statement schedule included in Schedule I. These 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 related 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. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2013 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2014, 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, present fairly in all material respects, the information set forth therein.

/s/Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

July 25, 2014

IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

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

	2013	March 31,	2014
ASSETS			
Current assets			
Cash and cash equivalents	\$ 63,154	\$	30,221
Restricted cash			16,007
Accounts receivable, net of allowance for doubtful accounts of \$3,272 and \$4,330 as of March 31, 2013 and 2014, respectively	30,189		37,619
Inventories	1,162		1,693
Deferred tax assets-current	2,874		3,991
Prepaid expenses and other current assets	6,616		20,012
Amount due from related parties	483		1,287
Total current assets	\$ 104,478	\$	110,830
Equity method investment	\$	\$	6,220
Restricted cash-non-current			2,153
Property and equipment, net	32,572		63,644
Acquired intangible assets, net	4,480		17,530
Goodwill	17,791		41,412
Cost method investment	131		129
Deferred tax assets-non-current	1,456		2,007
Rental deposit and other non-current assets	4,453		6,301
TOTAL ASSETS	\$ 165,361	\$	250,226
LIABILITIES, MEZZANINE EQUITY AND EQUITY (DEFICIT)			
Current liabilities			
Accounts payable (including accounts payable of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$8,370 and \$14,599 of March 31, 2013 and 2014, respectively)	\$ 9,822	\$	16,965
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$9,885 and \$17,126 of March 31, 2013 and 2014, respectively)	17,191		24,275
Income tax payable (including income tax payable of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of 2,085 and \$5,299 of March 31, 2013 and 2014, respectively)	2,409		6,382
Amount due to related parties (including amount due to related parties of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$12,379 and \$8,049 of March 31, 2013 and 2014, respectively)	12,379		8,049
Deferred revenues (including deferred revenues of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$19,183 and \$22,234 of March 31, 2013 and 2014, respectively)	24,578		29,523
Deferred government subsidy-current (including deferred government subsidy - current of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$63 and \$47 of March 31, 2013 and 2014, respectively)	63		47
	5,482		18,201

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Short term borrowings (including short term borrowings of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$5,482 and \$17,717 of March 31, 2013 and 2014, respectively)

Convertible loan (including convertible loan of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of nil and nil of March 31, 2013 and 2014, respectively)

Total current liabilities	\$	73,924	\$	103,442
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2,000

IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED BALANCE SHEETS - continued

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

	2013	March 31,	2014
Deferred government subsidy - non-current (including deferred government subsidy-non-current of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc of \$125 and \$63 of March 31, 2013 and 2014, respectively)	\$	125	\$ 63
Long term borrowings (including long term borrowings consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of nil and \$1,865 of March 31, 2013 and 2014, respectively)			1,865
Deferred tax liabilities-non-current (including deferred tax liabilities-non-current of the consolidated VIE entities without recourse to iKang Healthcare Group, Inc. of \$483 and \$2,929 of March 31, 2013 and 2014, respectively)		499	3,478
TOTAL LIABILITIES	\$	74,548	\$ 108,848
Commitments and contingencies (Note 22)			
Mezzanine equity			
Series A convertible redeemable participating preferred shares (\$ 0.01 par value; 1,391,044 and 1,094,668 shares authorized as of March 31, 2013 and 2014, respectively, 1,094,668 shares issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$1,970 as of March 31, 2013 and 2014)	\$	6,496	\$ 6,496
Series B convertible redeemable participating preferred shares (\$0.01 par value; 1,059,735 and 686,368 shares authorized as of March 31, 2013 and 2014, respectively, 686,368 shares issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$2,162 as of March 31, 2013 and 2014)		6,512	6,512
Series C1 convertible redeemable participating preferred shares (\$0.01 par value; 794,250 shares authorized, issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$1,893 as of March 31, 2013 and 2014)		5,700	5,700
Series C2 convertible redeemable participating preferred shares (\$0.01 par value; 252,572 and 126,286 shares authorized as of March 31, 2013 and 2014, respectively, 126,286 shares issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$568 as of March 31, 2013 and 2014)		1,709	1,709
Series C3 convertible redeemable participating preferred shares (\$0.01 par value; 1,024,318 shares authorized, issued and outstanding as of March 31, 2013 and 2014, liquidation value of and \$1,382 as of March 31, 2013 and 2014)		4,157	4,157
Series D1 convertible redeemable participating preferred shares (\$0.01 par value; 3,655,151 and 3,488,864 shares authorized as of March 31, 2013 and 2014, respectively, 3,538,864 and 3,488,864 shares issued and outstanding as of March 31, 2013 and 2014, respectively, liquidation value of \$10,227 and \$10,083 as of March 31, 2013 and 2014, respectively)		30,176	29,750
Series D2 convertible redeemable participating preferred shares (\$0.01 par value; 2,436,769 and 2,072,624 shares authorized as of March 31, 2013 and 2014, respectively, 2,307,536 and 2,072,624 shares issued and outstanding as of March 31, 2013 and 2014, respectively, liquidation value of \$3,115 and \$2,798 as of March 31, 2013 and 2014, respectively)		12,356	11,300
Series E convertible redeemable participating preferred shares (\$0.01 par value; 4,289,457 shares authorized, issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$22,056 as of March 31, 2013 and 2014)		54,098	54,098

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Series F convertible redeemable participating preferred shares (\$0.01 par value; 7,500,000 and 7,204,680 shares authorized as of March 31, 2013 and 2014, respectively, 4,654,697 and 7,204,680 shares issued and outstanding as of March 31, 2013 and 2014, respectively, liquidation value of \$60,000 and \$93,639 as of March 31, 2013 and 2014, respectively)	92,774	144,795
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IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED BALANCE SHEETS - continued

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

	2013	March 31,	2014
Equity			
iKang Healthcare Group, Inc. shareholders' equity Class A common shares (\$0.01 par value; 36,026,704 and 37,698,485 shares authorized as of March 31, 2013 and 2014, respectively, 4,911,245 and 4,599,674 issued and outstanding as of March 31, 2013 and 2014, respectively)	\$	49	\$ 45
Class B common shares (\$0.01 par value; 1,570,000 shares authorized, issued and outstanding as of March 31, 2013 and 2014, respectively)		16	16
Additional paid-in capital		4,341	1,342
Statutory reserve		2,267	5,005
Accumulated deficit		(135,390)	(137,129)
Accumulated other comprehensive income		4,522	3,764
Total iKang Healthcare Group, Inc. shareholders' deficit		(124,195)	(126,957)
Non-controlling interest		1,030	3,818
TOTAL DEFICIT	\$	(123,165)	\$ (123,139)
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$	165,361	\$ 250,226

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

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 year ended March 31,		
	2012	2013	2014
Net revenues	\$ 93,713	\$ 133,871	\$ 202,304
Cost of revenues	49,506	71,079	106,405
Gross profit	\$ 44,207	\$ 62,792	\$ 95,899
Operating expenses:			
Selling and marketing	14,005	18,486	28,879
General and administrative (including share-based compensation of \$216, \$2,273 and \$930 in 2012, 2013 and 2014, respectively)	14,756	23,447	32,053
Research and development	748	1,270	1,603
Write-off of leasehold improvement	309		
Total operating expenses	\$ 29,818	\$ 43,203	\$ 62,535
Income from operations	14,389	19,589	33,364
Gain from forward contracts			57
Interest expense	(159)	(1,106)	(1,331)
Interest income	101	100	93
Income before provision for income taxes and loss from equity method investment	\$ 14,331	\$ 18,583	\$ 32,183
Income tax expenses	3,939	6,134	10,101
Income before loss from equity method investment	\$ 10,392	\$ 12,449	\$ 22,082
Loss from equity method investment			156
Net income	\$ 10,392	\$ 12,449	\$ 21,926
Less: Net income attributable to non-controlling interest	690	338	319
Net income attributable to iKang Healthcare Group, Inc.	9,702	12,111	21,607
Deemed dividend to preferred shareholders	2,312	84,306	20,436
Undistributed earnings allocated to preferred shareholders	2,770	2,818	7,310
Net income (loss) attributable to common and preferred shareholders of iKang Healthcare Group, Inc.	\$ 4,620	\$ (75,013)	\$ (6,139)
Net income (loss) per share attributable to common shareholders of iKang Healthcare Group, Inc.			
Basic	\$ 0.22	\$ (11.22)	\$ (0.97)
Diluted	\$ 0.21	\$ (11.22)	\$ (0.97)
Weighted average shares used in calculating net (loss) income per common share			
Basic	6,599,009	6,683,678	6,340,005
Diluted	6,768,074	6,683,678	6,340,005

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

IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	2012	For the year ended March 31,		2014
		2013		
Net income	\$ 10,392	\$ 12,449	\$	21,926
Other comprehensive income (loss):				
Other comprehensive income (loss), foreign currency translation adjustment	\$ 1,541	\$ 568	\$	(779)
Comprehensive income	\$ 11,933	\$ 13,017	\$	21,147
Less: Comprehensive income attributable to non-controlling interest	706	322		298
Comprehensive income attributable iKang Healthcare Group, Inc.	\$ 11,227	\$ 12,695	\$	20,849

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

IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (DEFICIT)

(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 equity/(deficit)	Accumulated other comprehensive income	iKang s shareholder equity/(deficit)	Non-controlling Interest	Total shareholders equity/(deficit)
Balance at April 1, 2011	6,476,645	\$ 65	\$ 16,103	\$ 501	\$ (67,327)	\$ 2,413	\$ (48,245)	\$ 1,569	\$ (46,676)
Provision for statutory reserve				470	(470)				
Share-based compensation			216				216		216
Exercise of share options	75,000	1	135				136		136
Exercise of share option to shareholders	134,845	1	1,762		(1,492)		271		271
Change in effective ownership of iKang Zhejiang Inc.			(95)				(95)	95	
Capital contribution of non-controlling interest holder of iKang Zhejiang Inc.								164	164
Addition of non-controlling interest in connection with establishment of Fujian iKang Guobin Health Management Co., Ltd.								305	305
Dividend distribution to non-controlling interest holder of Shanghai Guobin Medical Center Co., Ltd.								(420)	(420)
Deemed dividend on convertible redeemable preferred shares - accretion of redemption premium					(2,312)		(2,312)		(2,312)
Purchase of non-controlling interest of iKang Shanghai Guobin Blue Cross Clinic Co. Ltd.			(15)				(15)	(176)	(191)
Purchase of non-controlling interest of Shanghai Guobin Medical Center Co., Ltd.			(13,157)				(13,157)	(1,564)	(14,721)
Purchase of non-controlling interest of Shenzhen iKang Guobin Hospital Management, Inc.			(238)				(238)	29	(209)
Net income					9,702		9,702	690	10,392
Foreign currency translation adjustment						1,525	1,525	16	1,541
Balance at March 31, 2012	6,686,490	\$ 67	\$ 4,711	\$ 971	\$ (61,899)	\$ 3,938	\$ (52,212)	\$ 708	\$ (51,504)
Provision for statutory reserve				1,296	(1,296)				
Redesignation to Series F convertible redeemable preferred shares	(205,245)	(2)	(2,643)				(2,645)		(2,645)
Share-based compensation			2,273				2,273		2,273

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Deemed dividend on convertible redeemable preferred shares - accretion of redemption premium					(84,306)		(84,306)		(84,306)
Net income					12,111		12,111	338	12,449
Foreign currency translation adjustment						584	584	(16)	568
Balance at March 31, 2013	6,481,245	\$ 65	\$ 4,341	\$ 2,267	\$ (135,390)	\$ 4,522	\$ (124,195)	\$ 1,030	\$ (123,165)
Provision for statutory reserve					2,738	(2,738)			
iKang Healthcare Group, Inc. one common share of US\$0.01 entered into a share swap agreement	1								
Redesignation to Series F convertible redeemable participating preferred shares	(311,572)	(4)	(3,745)				(3,749)		(3,749)
Share-based compensation			930				930		930
Addition of non-controlling interest in connection with acquisition of Shanghai iKang Jianwei Health Management Co., Ltd.					(172)		(172)	172	
Addition of non-controlling interest in connection with establishment of Jiandatong Health Technology (Beijing) Co., Ltd.								82	82
Addition of non-controlling interest in connection with establishment of Changzhou iKang Guobin Clinic Co., Ltd.								732	732
Addition of non-controlling interest in connection with acquisition of MediFast (Hong Kong) Limited								1,690	1,690
Purchase of non-controlling interest of Shanghai iKang Guobin Blue Cross Clinic Co., Ltd.			(184)				(184)	(142)	(326)
Dividend distribution to non-controlling interest holder of Shanghai Wangzu Guobin Medical Center Co., Ltd.								(44)	(44)
Deemed dividend on convertible redeemable preferred shares - accretion of redemption premium					(20,436)		(20,436)		(20,436)
Net income					21,607		21,607	319	21,926
Foreign currency translation adjustment						(758)	(758)	(21)	(779)
Balance at March 31, 2014	6,169,674	\$ 61	\$ 1,342	\$ 5,005	\$ (137,129)	\$ 3,764	\$ (126,957)	\$ 3,818	\$ (123,139)

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

IKANG HEALTHCARE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2012	For the year ended March 31,		2014
		2013		
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 10,392	\$ 12,449		\$ 21,926
Adjustments to reconcile net (loss) income to net cash provided by operating activities				
Depreciation and amortization	6,285	7,710		10,759
Write-off of leasehold improvement	309			
Share-based compensation	216	2,273		930
Loss on disposal of property and equipment	122	475		163
Provision for doubtful account	481	1,800		1,100
Inventory written-down	25			
Amortization of discount on payable purchase of non-controlling interest of Shanghai Guobin Medical Center Co., Ltd.	155	629		504
Loss from equity method investment				156
Changes in assets and liabilities				
Accounts receivable	(6,421)	(12,986)		(3,802)
Inventories	(253)	(97)		(459)
Prepaid expenses and other current assets	45	176		(1,193)
Amount due from related parties	49	(477)		
Deferred tax assets	64	(1,081)		(1,232)
Rental deposit and other long-term assets	(1,244)	(1,429)		(1,485)
Accounts payable	991	1,864		(955)
Accrued expenses and other current liabilities	2,235	3,071		2,884
Income tax payable	1,332	528		3,824
Amount due to related parties	(198)			
Deferred revenues	(442)	1,589		1,774
Deferred government subsidy	(62)	(62)		(79)
Deferred tax liabilities	(76)	(118)		(512)
Net cash generated from operating activities	14,005	16,314		34,303
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(12,205)	(9,979)		(35,838)
Proceeds from disposal of property and equipment	3	94		13
Restricted cash	65			(18,429)
Purchase of non-controlling interest of Shanghai iKang Guobin Blue Cross Clinic Co., Ltd.	(199)			(326)
Purchase of assets of Shenzhen Kefa Clinic		(135)		
Purchase of non-controlling interest of Shenzhen iKang Guobin Hospital Management, Inc.	(205)			
Purchase of assets of Nanjing iKang Guobin Clinic Co., Ltd.	(16)			
Purchase of assets of Shenzhen Xinglin Clinic Co., Ltd.	(183)			
Payment for business acquisitions (net of cash acquired of \$50, \$4 and \$2,749 for years ended March 31, 2012, 2013 and 2014, respectively)	(2,966)	(6,038)		(41,311)
Loan provided to related parties				(4,306)
Repayment of loan provided to a related party				3,483

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Net cash used in investing activities	(15,706)	(16,058)	(96,714)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of convertible redeemable preferred shares		45,000	25,181
Proceeds from redesignation of convertible redeemable preferred shares			669
Proceeds from redesignation of Common A			612
Proceeds from exercise of share options	136		
Proceeds from exercise of share option to shareholders	269		
Capital contribution from non-controlling interest holder of iKang Zhejiang Inc.	477		
Capital contribution from non-controlling interest holder of Changzhou iKang Guobin Clinic Co., Ltd.			732
Purchase of non-controlling interest of Shanghai Guobin Medical Center Co., Ltd.	(3,178)		(4,767)
Payment for business acquisitions			(3,010)
Dividend distribution to non-controlling interest shareholder of Shanghai Guobin Medical Center Co., Ltd.	(428)		(44)
Payment for professional fees in connection of issuance of series F convertible preferred shares			(2,847)
Proceeds from convertible loan		2,000	
Repayment of convertible loan			(2,000)
Repayment short-term borrowing		(3,976)	(7,383)
Proceeds from short-term borrowings	1,563	7,800	20,298
Proceeds from long-term borrowings			1,901
Net cash (used in)/ provided by financing activities	(1,161)	50,824	29,342
Effect of exchange rate changes	595	199	136
Net increase in cash and cash equivalent	(2,267)	51,279	(32,933)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	14,142	11,875	63,154
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 11,875	\$ 63,154	\$ 30,221
Supplemental cash flow information			
Income tax paid	\$ 2,756	\$ 6,850	\$ 8,224
Interest paid		308	1,068
Supplemental non-cash financing and investing activities			
Payable purchase of non-controlling interest of iKang Shanghai Xikang Road	\$ (11,572)	\$ (12,379)	\$ (8,049)
Acquisition payable of business acquisitions	\$ (1,383)	\$ (505)	\$ (3,628)
Payable of purchase of assets	\$	\$ (32)	\$
Change in payable for purchase of property and equipment	\$ 1,022	\$ 1,802	\$ 4,927

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

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

iKang Healthcare Group, Inc. (the Company), was incorporated on May 25, 2011 as a limited liability company in the Cayman Islands. The Company has no operations and has been created for the initial public offering (IPO) purpose. On March 1, 2014, the Company entered into a share swap agreement and became the ultimate holding company of iKang Guobin Healthcare Group, Inc. with the completion of the one to one share exchange to the existing shareholders of iKang Guobin Healthcare Group, Inc. for all shares of equivalent classes.

The Company, its subsidiaries, its variable interest entities (VIEs) and its VIEs subsidiaries (collectively the Group) are primarily engaged in providing medical examination, disease screening services, and other healthcare related services in the People's Republic of China (the PRC).

As of March 31, 2014, details of the Group's subsidiaries, VIEs and the VIEs subsidiaries were as follows:

Names	Later date of incorporation/acquisition	Place of incorporation	Percentage of beneficial interest by iKang Healthcare Group, Inc.	Principal activities
Subsidiaries:				
iKang Guobin Healthcare Group, Inc. (iKang Guobin)	December 24, 2003	BVI	100%	Holding company
ShanghaiMed iKang, Inc. (Beijing iKang)	February 27, 2004	PRC	100%	Sales of healthcare service
Shanghai iKang Co., Ltd. (Shanghai iKang)	December 27, 2004	PRC	100%	Sales of healthcare service
iKang Zhejiang, Inc. (iKang Zhejiang BVI)	April 5, 2006	BVI	73%	Holding company
iKang HealthManagement (Zhejiang) Co., Ltd. (Zhejiang iKang)	July 11, 2006	PRC	73%	Sales of healthcare service
Bayley & Jackson (China) Medical Services Limited (Bayley & Jackson (Hong Kong))	October 10, 2006	Hong Kong	100%	Holding company
Beijing Bayley & Jackson Clinic Co., Ltd. (iKang Beijing Ritan)	October 10, 2006	PRC	100%	Medical examination & clinical
Yuanhua Healthcare Limited (HongKong) (Yuanhua HK)	July 31, 2013	BVI	100%	Holding company
MediFast (Hong Kong) Limited (MediFast)	March 16, 1995	Hong Kong	80%	Medical examination & clinical
Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd. (Yuanhua WFOE)	July 31, 2013	PRC	100%	Sales of healthcare service

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VIes:

Shanghai iKang Guobin Holding Co., Ltd. (iKang Holding)	April 27, 2007	PRC	100%	Holding company
Hangzhou iKang Guobin Clinic, Co., Ltd. (iKang Hangzhou Xixi)	September 26, 2010	PRC	73%	Medical examination
Shanghai Yuanhua Information Technology Co., Ltd. (Yuanhua Information)	July 31, 2013	PRC	100%	Holding company
Jiandatong Health Technology (Beijing) Co., Ltd. (Beijing Jiandatong)	April 1, 2013	PRC	80%	Sales of healthcare service

VIes subsidiaries:

iKang Guobin Healthcare Management Group Co., Ltd. (iKang Online)	September 13, 2004	PRC	100%	Sales of healthcare service
Beijing iKang Guobin Health Technology Co., Ltd. (iKang Technology)	February 3, 2005	PRC	100%	Sales of healthcare service
Shenzhen iKang Co., Ltd. (Shenzhen iKang)	July 12, 2006	PRC	100%	Sales of healthcare service
Shanghai Yalong Daoyi Services Co., Ltd. (Yalong Daoyi)	December 20, 2006	PRC	100%	Sales of healthcare service
Guangzhou iKang Guobin Health Checkup Co., Ltd. (iKang Guangzhou Huanshi East/Tianhe)	April 27, 2007	PRC	100%	Medical examination
Shanghai Guobin Medical Center Co., Ltd. (iKang Shanghai Xikang Road)	April 27, 2007	PRC	100%	Medical examination & clinical
Shanghai Wangzu Guobin Medical Center Co., Ltd. (iKang Shanghai Gubei)	April 27, 2007	PRC	70%	Medical examination
Shanghai iKang Guobin Mingmen Clinic Co., Ltd. (iKang Shanghai Pudong Avenue)	April 27, 2007	PRC	100%	Medical examination
Shenzhen iKang Guobin Hospital Management, Inc. (Shenzhen Hospital Management)	September 10, 2007	PRC	66%	Holding company
Shenzhen Puji Clinic Co., Inc. (iKang Shenzhen Nanshan)	September 10, 2007	PRC	66%	Medical examination
Beijing iKang Guobin Lidu Clinic, Co., Ltd. (iKang Beijing Lidu)	December 3, 2007	PRC	100%	Medical examination
Chengdu iKang Guobin Blue Coast Health Management Co., Ltd. (Chengdu Blue Coast)	December 7, 2007	PRC	100%	Relaxation and recreation
Nanjing Joycome Clinic, Co., Ltd (iKang Nanjing Xinjiekou)	January 10, 2008	PRC	100%	Medical examination
Shenzhen iKang Guobin Clinic Co., Ltd. (iKang Shenzhen Luohu)	March 25, 2008	PRC	100%	Medical examination

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Names	Later date of incorporation/ acquisition	Place of incorporation	Percentage of beneficial interest by iKang Guobin Healthcare Group, Inc.	Principal activities
VIEs subsidiaries:				
Beijing iKang Guobin Jianwai Clinic, Co., Ltd. (iKang Beijing Jianguomen)	September 9, 2008	PRC	100%	Medical examination
Beijing iKang Guobin Zhongguan Clinic, Co., Ltd. (iKang Beijing Zhongguancun)	September 19, 2008	PRC	100%	Medical examination
Beijing iKang Guobin Zhengqingyuan Clinic, Co., Ltd. (iKang Beijing Kunming Lake)	December 1, 2008	PRC	100%	Medical examination
Beijing iKang Guobin Jiuxianqiao Clinic, Co., Ltd. (iKang Beijing Yansha East)	December 1, 2008	PRC	100%	Medical examination
Shanghai iKang Guobin Renren Clinic, Co., Ltd. (iKang Shanghai Yangpu)	December 9, 2008	PRC	100%	Medical examination
Chengdu iKang Guobin Health Examination Hospital Co., Ltd. (iKang Chengdu Waishuangnan)	January 15, 2009	PRC	100%	Medical examination
Shanghai iKang Guobin Blue Cross Clinic, Co., Ltd. (iKang Shanghai Lujiazui)	January 28, 2010	PRC	100%	Medical examination
Shanghai Wenzhong Clinic, Co., Ltd. (Shanghai Wenzhong)	February 12, 2010	PRC	71%	Medical examination
Beijing iKang Guobin Clinic, Co., Ltd. (iKang Beijing Xuanwumen)	August 5, 2010	PRC	100%	Medical examination
Nanjing iKang Guobin Clinic Co., Ltd. (iKang Nanjing Gulou)	January 19, 2011	PRC	100%	Medical examination
Shenzhen Xinglin Clinic Co., Ltd. (iKang Shenzhen Futian)	January 25, 2011	PRC	100%	Medical examination
Fujian iKang Guobin Health Management Co., Ltd. (Fujian iKang)	April 1, 2011	PRC	71%	Sales of healthcare service
Fuzhou iKang Guobin General Clinic, Co., Ltd. (iKang Fuzhou Gulou)	November 14, 2011	PRC	71%	Medical examination
Beijing iKang Guobin Xinei Clinic, Co., Ltd. (iKang Beijing Xinei)	January 30, 2012	PRC	100%	Medical examination
Shanghai iKang Guobin Fukang Clinic, Co., Ltd. (Yan an West Road)	January 18, 2012	PRC	100%	Medical examination
Shanghai Zhonghuan Yipin Clinic, Co., Ltd. (iKang Shanghai Zhonghuan)	January 21, 2012	PRC	100%	Medical examination
Shanghai Yipin Clinic, Co., Ltd. (iKang Shanghai Jing an)	January 21, 2012	PRC	100%	Medical examination
Shanghai iKang Guobin Waizhitan Clinic, Co., Ltd. (iKang Shanghai Yan an East Road)	May 29, 2012	PRC	100%	Medical examination
Shanghai Jianwei Clinic, Co., Ltd. (iKang Shanghai Jianwei)	August 17, 2012	PRC	100%	Medical examination

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Hangzhou iKang Guobin Wenhui Clinic, Co., Ltd. (iKang Hangzhou Wenhui)	September 3, 2012	PRC	100%	Medical examination
Tianjin Heping Aibin Clinic, Co., Ltd. (iKang Tianjin Heping)	October 15, 2012	PRC	100%	Medical examination
Suzhou Aibin Clinic, Co., Ltd. (iKang Suzhou)	November 13, 2012	PRC	100%	Medical examination
Changchun iKang Guobin Jiachang General Clinic, Co., Ltd. (iKang Changchun)	November 5, 2012	PRC	100%	Medical examination
Chengdu Jinjiang iKang Guobin Hongzhaobi Health Examination General Clinic, Co., Ltd. (iKang Chengdu Jinjiang)	December 21, 2012	PRC	100%	Medical examination
Chongqing Aibin Clinic, Co., Ltd. (iKang Chongqing)	December 18, 2012	PRC	100%	Medical examination
Guangzhou Wokang Clinic (iKang Guangzhou Wokang)	December 3, 2012	PRC	100%	Medical examination
Shenzhen Kefa Clinic (Shenzhen Kefa)	March 26, 2013	PRC	100%	Medical examination
Shanghai iKang Jianwei Health Management Co., Ltd (Shanghai Jianwei Management)	September 6, 2013	PRC	65%	Sales of healthcare service
Shanghai Yuanhua Clinic Co., Ltd. (Yuanhua Clinic)	July 31, 2013	PRC	100%	Medical examination
Nanjing Aoyang TCM Clinic Co., Ltd., (Nanjing Aoyang Clinic)	September 1, 2013	PRC	100%	Medical examination
Nanjing Aoyang Shunkang Health Information Consultancy Co., Ltd. (Nanjing Aoyang Shunkang)	September 1, 2013	PRC	100%	Sales of healthcare service
Jiangyin iKang Guobin Clinic Co., Ltd. (iKang Jiangyin)	December 16, 2013	PRC	100%	Medical examination
Zhejiang Huzhou Ailikang Investment Management Co., Ltd. (Zhejiang Ailikang)	December 31, 2013	PRC	100%	Sales of healthcare service
Hangzhou Aibo Huagang Clinic Co. Ltd. (Hangzhou Aibo)	December 31, 2013	PRC	100%	Medical examination
Beijing iKang Jun an Clinic Co., Ltd. (iKang Beijing Jun an)	November 28, 2013	PRC	100%	Medical examination
Beijing iKang Guobin Yayun Clinic Co., Ltd. (iKang Beijing Yayun)	December 5, 2013	PRC	100%	Medical examination
Changzhou iKang Guobin Clinic Co., Ltd. (iKang Changzhou)	March 14, 2014	PRC	62.5%	Medical examination

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

Before January 31, 2012, PRC regulations limited business entities with direct foreign ownership of more than 70% to provide certain healthcare services in the PRC. To comply with related PRC regulations, the Company conducted the majority of its businesses through Beijing iKang and Zhejiang iKang, subsidiaries of the Group, and iKang Holding, iKang Holding's subsidiaries and iKang Hangzhou Xixi, which are VIE entities of the Company. Beijing iKang and Zhejiang iKang entered into a series of contractual arrangements with the VIE entities and their shareholders, and through those contractual arrangements, as described below, the Company obtained the control and the right to substantially all of economic benefits of the VIE entities.

In July 2013, iKang acquired 100% Yuanhua, including Yuanhua BVI, Yuanhua WFOE, a variable interest entity Yuanhua Information and Yuanhua Clinic, which provide medical examination related services in China. Yuanhua WFOE entered into a series of contractual arrangements with Yuanhua Information and Mr. Haiqing Hu and Mr. Lei Zhao through which Yuanhua WFOE gained effective control over the operation of Yuanhua Information and is able to receive substantially all the economic benefits of Yuanhua Information.

In December 2013, Beijing iKang entered into a series of contractual arrangements with Beijing Jiandatong and Mr. Haiqing Hu through which Beijing iKang gained effective control over the operation of Beijing Jiandatong and is able to receive substantially all the economic benefits of Beijing Jiandatong.

Starting from January 31, 2012, foreign-invested enterprises incorporated in the PRC are not expressly prohibited from providing healthcare services in the PRC; however, in order to operate under foreign-invested enterprise, the Group needs to reapply for the licenses or permits required for conducting such business from the Ministry of Health and Ministry of Commerce, because currently most licenses of the Group to conduct healthcare services are held by PRC entities. As of March 31, 2014, the Group has not yet applied for such licenses or permits. Therefore the Group still operates through its VIE entities.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

Beijing iKang, Zhejiang iKang and Yuanhua WFOE have entered into the following contractual arrangements with iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong, Yuanhua Information and the shareholders of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIE entities, and (2) receive the economic benefits of the VIE entities that could be significant to the VIE entities. Accordingly, the Company is considered the primary beneficiary of the VIE entities and has consolidated the VIE entities' financial results of operations, assets and liabilities in the Company's consolidated financial statements. In making the conclusion that the Company is the primary beneficiary of the VIE entities, the Company believes the Company's rights under the terms of the Exclusive Equity Option agreement provide it with a substantive kick out right. More specifically, the Company believes the terms of the Exclusive Equity Option agreement are valid, binding and enforceable under PRC laws and regulations currently in effect. The Company also believes that the minimum amount of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for the Company to currently exercise its rights under the exclusive equity option agreement. The Company's rights under the Exclusive Equity Option agreement give the Company the power to control the shareholders of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information and thus the power to direct the activities that most significantly impact the VIE entities economic performance. In addition, the Company's rights under the Power of Attorney also reinforce the Company's abilities to direct the activities that most significantly impact the VIE entities economic performance. The Company also believes that this ability to exercise control ensures that the VIE entities will continue to execute and renew the Exclusive Service agreement and pay service fees to the Company. By charging service fees in whatever amounts the Company deems fit, and by ensuring that the Exclusive Service agreements are executed and renewed indefinitely, the Company has the rights to receive substantially all of the economic benefits from the VIE entities.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Agreements that provide the Company effective control over the VIE entities

(1) *Power of Attorney:* Each registered shareholder of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information has executed a power of attorney agreement appointing Beijing iKang, Zhejiang iKang or Yuanhua WFOE to be the only and exclusive attorney, and irrevocably authorizing it to vote on each registered shareholder's behalf on all of the matters concerning the VIE entities, that may require shareholders' approval. The term of the power of attorney is perpetual and the contract can be terminated at the discretion of the wholly foreign owned enterprises (WFOEs).

(2) *Exclusive Equity Option Agreement:* Beijing iKang, Zhejiang iKang and Yuanhua WFOE have the exclusive right to purchase the equity interests of the VIE entities from the registered legal equity owners at the lowest consideration allowed by PRC regulations as far as PRC regulations permit a transfer of legal ownership to foreign ownership. The term of the exclusive purchase right agreement is ten years and will be renewed on the expiration date by WFOEs and can be terminated at the discretion of the WFOEs.

(3) *Spousal Consent Under the Spousal Consent letters,* the spouse of each married registered shareholder of iKang Holding and Beijing Jiandatong has signed a spousal consent letter, whereby the spouse agrees that (i) the equity interests of iKang Holding and Beijing Jiandatong owned by such shareholder will be disposed of only in accordance with the applicable Exclusive Equity Option Agreement, Equity Interest Pledge Agreement, and other related agreements executed by the shareholder, (ii) such equity interests do not constitute communal property with such shareholder and (iii) the spouse irrevocably and unconditionally waives all rights and benefits with respect to such equity interests, including the right to sue in any court and under all applicable laws.

Agreements that transfer economic benefits to the Company

(1) *Exclusive Services Agreement:* Beijing iKang, Zhejiang iKang, Yuanhua WFOE and registered shareholders irrevocably agree that Beijing iKang, Zhejiang iKang and Yuanhua WFOE shall be the exclusive technology and consulting service provider to the VIE entities in return for a service fee as determined by Beijing iKang, Zhejiang iKang and Yuanhua WFOE up to the entire net profit of the VIE entities. The terms of the services agreement are ten years, respectively, and this agreement will be automatically renewed on applicable expiration dates, and the agreement can be terminated at the discretion of the WFOEs.

(2) *Equity Interest Pledge Agreement:* Shareholders of iKang Holding, iKang Hangzhou Xixi, Beijing Jiandatong and Yuanhua Information have pledged all of their equity interests in VIE entities with Beijing iKang, Zhejiang iKang and Yuanhua WFOE and Beijing iKang, Zhejiang iKang and Yuanhua WFOE are entitled to the rights to sell the pledged equity interests if the VIE entities or the shareholders default in their obligations. The term of the pledge agreement is as long as service agreement; and it can be terminated when the service agreement is terminated.

Through these contractual agreements, the Company has the ability to effectively control the VIE entities and is also able to receive substantially all the economic benefits of the VIE entities.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risk in relation to the VIE structure

The Company believes that WFOE's contractual arrangements with the VIE entities are in compliance with PRC law and are legally enforceable. The shareholders of iKang Holding are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of the VIE entities were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIE entities not to pay the service fees when required to do so.

The Company's ability to control the VIE entities also depends on the power of attorney Beijing iKang, Zhejiang iKang and Yuanhua WFOE have to vote on all matters requiring shareholder approval in the VIE entities. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the PRC government could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or

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- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIE entities or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIE entities. The Group does not believe that any penalties imposed or actions taken by the PRC Government would result in the liquidation of the Company, Beijing iKang, Zhejiang iKang, Yuanhua WFOE or the VIE entities.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risk in relation to the VIE structure - continued

The shareholders of the VIEs and the Company are as the following:

- (1) iKang Holding's shareholders are Mr. Ligang Zhang and Mr. Boquan He, each of whom holds 50% of the equity interest in iKang Holding.
- (2) iKang Hangzhou Xixi's shareholders are iKang Holding and Yalong Daoyi, which hold 80% and 20% of the equity interest in iKang Hangzhou Xixi, respectively. Yalong Daoyi is wholly-owned by iKang Holding. Therefore, iKang Holding owns the 100% equity interest in iKang Hangzhou Xixi.
- (3) Beijing Jiandatong's shareholders is Mr. Haiqing Hu, who holds 80% of the equity interest in Beijing Jiandatong.
- (4) Yuanhua Information's shareholders are Mr. Haiqing Hu and Mr. Lei Zhao, who hold 80% and 20% of the equity interest in Yuanhua Information, respectively.
- (5) Mr. Ligang Zhang and Mr. Boquan He are shareholders of the Company, who held 25.6% and 14.8% voting interest of the Company as of March 31, 2014, respectively. They own the equity interests in iKang Holding and iKang Hangzhou Xixi. Other than Mr. Ligang Zhang and Mr. Boquan He, none of the Company's shareholders owns equity interests in iKang Holding and iKang Hangzhou Xixi.

The two shareholders of iKang holding are directors and shareholders of the Company. One of them is the Company's CEO, and the managing director of the VIEs. Therefore they have no current interest in seeking to act contrary to the contractual arrangements. The interests of the VIE's shareholders may differ from the interests of the Company as a whole. The Company cannot assure that when conflicts of interest arise, the shareholders will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the shareholders of the VIE's may encounter in their capacity as the beneficial owners and director of the VIE entities, on the one hand, and as beneficial owners and directors or officer of the Company, on the other hand. The Company believes the shareholders of the VIE entities will not act contrary to any of the contractual arrangements and the exclusive equity option agreement provides the Company with a mechanism to remove the shareholders as the beneficial shareholders of the VIE should they act to the detriment of the Company. The Company relies on the VIE shareholders, as directors and officer of the Company, to fulfill their fiduciary duties and abide by laws of the PRC and BVI and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the VIE shareholders, the Company would have to rely

on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risk in relation to the VIE structure - continued

The following financial statements amounts and balances of the VIE entities were included in the accompanying consolidated financial statements as of and for the years ended March 31(after inter-company elimination):

	As of March 31,	
	2013	2014
Cash and cash equivalents	\$ 13,308	\$ 11,326
Account receivable and other current assets	34,789	54,508
Total current assets	48,097	65,834
Property and equipment, net	31,511	60,325
Acquired intangible assets, net	4,475	14,070
Other noncurrent assets	7,069	38,466
Total non-current assets	43,055	112,861
Total assets	91,152	178,695
Deferred revenues	19,183	22,234
Account payable and other current liabilities	38,264	62,837
Total current liabilities	57,447	85,071
Total non-current liabilities	608	4,857
Total liabilities	\$ 58,055	\$ 89,928

	For the year ended March 31,		
	2012	2013	2014
Net revenues	\$ 80,563	\$ 113,506	\$ 170,226
Net income	\$ 9,772	\$ 11,728	\$ 20,948

	For the year ended March 31,		
	2012	2013	2014
Net cash provided by operating activities	\$ 13,310	\$ 14,978	\$ 18,327
Net cash used in investing activities	(12,867)	(15,944)	(29,304)
Net cash (used in)/ provided by financing activities	\$ (2,043)	\$ 3,824	\$ 8,995

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risk in relation to the VIE structure - continued

The VIE entities contributed an aggregate of 86.0%, 84.8% and 84.1% of the consolidated net revenues for the years ended March 31, 2012, 2013 and 2014, respectively. The Company's operations not conducted through contractual arrangements with the VIE primarily consist of its high end health check services. As of the fiscal years ended March 31, 2013 and 2014, the VIE entities accounted for an aggregate of 55.1% and 71.4%, respectively, of the consolidated total assets, and 77.9% and 82.6%, respectively, of the consolidated total liabilities. The assets that were not associated with the VIE entities primarily consist of cash and cash equivalents, account receivable and prepaid expenses and other current assets.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests, that require the Company or its subsidiaries to provide financial support to the VIE entities. However, if the VIE entities ever needs financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE entities through loans to the shareholders of the VIE or entrustment loans to the VIE entities. Relevant PRC laws and regulations restrict the VIE entities from transferring a portion of its net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 24 for disclosure of restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of consolidation

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The consolidated financial statements of the Group include the financial statements of iKang Healthcare Group Inc., its subsidiaries, its VIEs and its VIEs' subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues, costs and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include revenue recognition, allowance for doubtful accounts, the useful lives and impairment of property and equipment, the useful lives and impairment of intangible assets, impairment of goodwill, write off of leasehold improvement, valuation allowance for deferred tax assets, share-based compensation and fair value of the common shares, convertible redeemable preferred shares and forward contracts.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and demand deposits, which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

Accounts receivable and allowance for doubtful accounts

Accounts receivable represents those receivables derived in the ordinary course of business. A general allowance for doubtful accounts is provided based on aging analyses of accounts receivable balances, historical bad debt rates, in addition to specific provisions established based on customers' repayment patterns and customer credit worthiness.

Financial instruments

Financial instruments of the Group primarily consist of cash and cash equivalent, restricted cash, accounts receivable, forward contract, equity method investment, cost method investment, amount due from related parties, accounts payable, amount due to related parties, short-term borrowing and long-term borrowing.

The carrying values of cash, and cash equivalent, restricted cash, accounts receivable, accounts payable, and amounts due from related parties, short-term borrowing approximate their fair values due to short-term maturities. It is not practical to estimate the fair value of the Group's cost method investment because of the lack of quoted market price and the inability to estimate fair value without incurring excessive costs.

The fair value of long-term borrowings is based on the amount of future cash flows associated with each debt instrument discounted at the Company's current borrowing rate for similar debt instruments of comparable terms. The carrying values of the long-term borrowings approximate their fair values as all the long-term debt carry variable interest rates which approximate rates currently offered by the Company's

bankers for similar debt instruments of comparable maturities.

For amounts due to related parties, they are carried at amortized cost using effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Fair value of foreign currency forward contract is discussed in Note 18.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Significant risks and uncertainties

The Group operates in an industry with rapid changes in regulations, customer demand and competition and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations, or cash flows: advances and trends in healthcare industry standards, changes in certain strategic relationships or customer relationships, regulatory or other PRC related factors, risks associated with the Group's ability to keep and increase the customer base, and risks surrounding pending litigations.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency risk

The Renminbi (RMB) is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalent of the Group included aggregate amounts of \$15,830 and \$15,853 at March 31, 2013 and 2014, respectively, which were denominated in RMB.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents, and accounts receivable. The Group places their cash with financial institutions with high-credit ratings and quality. The Group conducts credit evaluations of customers and generally do not require collateral or other security from their customers.

No customer accounted for 10% or more of total revenues for the years ended March 31, 2012, 2013 and 2014. No customer accounted for 10% or more of accounts receivable as of March 31, 2013 and 2014.

Inventories

Inventories are medical consumables and are stated at the lower of cost or market value. Inventories are written down for obsolescence to net realizable value based upon estimates of future demand and expiration date of inventories. The Group reflected the write-down of inventories of \$25, nil and nil for the year ended March 31, 2012, 2013 and 2014, respectively in cost of revenues.

Equity method investment

The investee company over which the Group has the ability to exercise significant influence, but does not have a controlling interest are accounted for using the equity method. Significant influence is generally considered to exist when the Group has an ownership interest in the voting stock of the investee between 20% and 50%, and other factors, such as representation in the investee's Board of Directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the affiliated company's accounts are not reflected within the Group's consolidated balance sheets and statements of operations; however, the Group's share of the earnings or losses of the affiliated company is reflected in the caption "loss from equity method investment" in the consolidated statements of operations.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Equity method investment - continued

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than temporary. The Group estimated the fair value of the investee company based on comparable quoted price for similar investment in active market, if applicable, or discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital. The Company did not record impairment losses on its equity method investment during the year ended March 31, 2012, 2013 and 2014.

Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Computer equipment and application software	5 years
Furniture and fixture	5 years
Medical equipment	10 years
Motor vehicles	5 years
Leasehold improvement	Shorter of useful life of the asset or the lease term

Construction in progress represents unfinished leasehold improvement and installment of equipment for new clinics. Construction in progress will be transferred to leasehold improvement or property and equipment when it is finished. Depreciation is recorded at the time when assets are ready for the intended use.

Intangible assets, net

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Intangible assets, other than goodwill, resulting from the acquisitions of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets acquired. Identifiable intangible assets are carried at cost less accumulated amortization. Amortization of customer relationship is computed using the estimated attrition pattern of the acquired customers, and amortization of other finite-lived intangible assets is computed using the straight-line method over the following estimated average useful lives, which are as follows:

	Weighted average (years)	range (years)
Customer relationship	6.8	2.1~10.0
Non-compete agreement	3.0	2.0~3.0
Contract backlog	0.7	0.4~0.9
Operating license	3.2	0.3~4.8
Favorable lease contract	8.8	5.1~9.8

The weighted average estimated average useful life of the intangible assets with determinable lives is 6.4 years.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets-indefinite lives

If an intangible asset is determined to have an indefinite life, it should not be amortized until its useful life is determined to be no longer indefinite. An intangible asset that is not subject to amortization is tested for impairment at least annually or if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of the fair values of assets with their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates.

Impairment of long-lived assets and intangible assets with definite life

Long-lived assets, such as property and equipment and definite-lived intangible assets are stated at cost less accumulated depreciation or amortization. Depreciation and amortization is computed principally using the straight-line method.

The Group evaluates the recoverability of long-lived assets, including identifiable intangible assets, with determinable useful lives whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Group measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

Goodwill

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Goodwill represents the excess of the fair value of consideration paid over the fair value of identifiable net assets acquired in business combinations. Goodwill and intangible assets deemed to have indefinite useful lives are not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that they might be impaired.

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

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

In the evaluation of the goodwill for impairment, the Group may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, goodwill is then tested following a two-step process.

The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

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

The Group did not incur any impairment loss on goodwill for the years ended March 31, 2012, 2013 and 2014.

Cost method investment

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For investment over which the Group does not have significant influence, the Group carries the investments at cost. The Group reviews the cost method investment for impairment whenever events or circumstances indicate that an other-than-temporary decline has occurred. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its cost method investment. If the cost of an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, and the Group's intent and ability to hold the investment.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is stated net of business tax. The Group's PRC subsidiaries and VIE entities are subject to a 5% business tax and related surcharges on the revenues earned from providing services and selling products in the PRC. Certain contracts under specific formalities are exempted from business tax in accordance with the PRC tax laws. The Group recognized \$1,098, \$1,576, and \$2,084 business tax for the years ended March 31, 2012, 2013 and 2014, respectively.

The Group recognizes revenues when persuasive evidence of an arrangement exists, service has been provided, the sales price is fixed or determinable, and collectability is reasonably assured.

The Group offers medical examination and disease screening services and renders such services at the request of its customers. The Group recognizes revenues when the examination reports are issued and passed to the local couriers if hard copy reports are required by its customers, or when the examination reports are uploaded on line and can be viewed by the customers on line if hard copy reports are not required. The Group notifies its customers when their examination reports are delivered to the local couriers or ready to be viewed and downloaded on line.

For individual customers, fees are collected before the performance of the services while corporate customers prepay a portion of service fees upon signing of the master contract, which is recognized as deferred revenue by the Group. All fees for services rendered are first charged against the corporate customer's deferred revenues until it is entirely exhausted before the Group starts to invoice the corporate customers. The Group records accounts receivables from its corporate customers when the examination reports of the employees of corporate customers have been delivered or uploaded on line but the Group has not received remaining payments from the corporate customers.

Sometimes the Group engages third-party providers to provide medical examination and disease screening services on behalf of the Group. The Group evaluates the services provided by third parties on behalf of the Group to determine whether to recognize the revenues on a gross or net basis. The determination is based upon an assessment as to whether the Group acts as a principal or agent when providing the services. All of the revenues involving third-party providers providing medical examination or disease screening services on behalf of the Group are currently accounted for on a gross basis since the Group is the primary obligor, has the latitude in establishing prices, discretion in third-party provider selection and the credit risks.

The Group has also historically provided medical concierge services. The value included in the medical concierge card prepaid by the Group's customers is initially recorded as deferred revenues, and a predetermined amount which is based on the number of appointments actually made is deducted and recognized as revenue when a customer schedules an appointment with a hospital because the Group has no further service obligation after such appointment is made. There is no right of return if a card expires, which is on average one to two year from the date of purchase. Any remaining balance of deferred revenue is recognized upon expiry of the card.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

The Group also provides packages of bundled services principally comprising combinations of the above to its corporate customers. Components normally expire within one year from the date of purchase and does not include right of return. The Group allocates revenues from the sale of bundled services to each component using the relative selling price of each component based on the Group's best estimate. Revenue recognition criteria for components included in the bundled services is identical to as if the components are sold on a standalone basis.

Value added tax (VAT)

In July 2012, the Ministry of Finance and the State Administration of Taxation jointly issued a circular regarding the pilot collection of VAT in lieu of business tax in certain areas and industries in the PRC. Such VAT pilot program is to be phased in Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. Starting from September 1, 2012, certain subsidiaries became subject to VAT at the rate of 3% on certain service revenues which were previously subject to business tax.

Non-monetary exchange

The Group occasionally exchanges medical examination service with advertising agencies for advertising credits. The amount of deferred revenues and prepaid expenses is based on the fair value of the medical examination services surrendered which approximates the price the Group offers to the individual customers and is more readily determinable. The amounts of revenues recognized for non-monetary transactions were \$1,291, \$972 and \$706 for the years ended March 31, 2012, 2013 and 2014, respectively. No direct costs are attributable to the revenues.

Cost of revenues

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Cost of revenues consist of expenditures incurred in the generation of the Group's revenues, includes but not limited to salaries and welfare paid to physicians, nurses, purchase of medical consumables, depreciation and amortization, rental, and fees paid to third-party service providers.

Research and development costs

Research and development expenses primarily consist of (i) salaries and benefits for research and development personnel, and (ii) office rental, general expenses and depreciation and amortization expenses associated with the research and development activities. The Group's research and development activities primarily consist of the research and development of its information technology platform and technical support for its customer services.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended March 31, 2012, 2013 or 2014, respectively.

Share-based compensation

Share-based payment transactions with employees, such as share options are measured based on the grant date fair value of the equity instrument. The Group recognizes the compensation costs net of an estimated forfeiture rate using the graded vesting attribution method over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share compensation expense to be recognized in future periods.

Share awards issued to non-employees, such as advisors, are measured at fair value at the earlier of the commitment date or the date the service is completed and recognized over the period the service is provided.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Earnings (loss) per share

Basic earnings (loss) per common share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The Group's convertible redeemable preferred shares are participating securities as they participate in undistributed earnings on an as-if-converted basis. Accordingly, the Group uses the two-class method whereby undistributed net income is allocated on a pro rata basis to the common shares and preferred shares to the extent that each class may share in income for the period; whereas the undistributed net loss for the period is allocated to common shares only because preferred shares are not contractually obligated to share the loss.

Diluted earnings (loss) per common share reflect the potential dilution that could occur if securities were exercised or converted into common shares. The Group had convertible redeemable preferred shares, and stock options, which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted income per share, the effect of the convertible redeemable preferred shares is computed using the as-if-converted method; the effect of the stock options is computed using the treasury stock method.

Foreign currency translation

The functional and reporting currency of the Company is the United States dollar (U.S. dollar). The financial records of the Group's subsidiaries and VIE entities located in the PRC are maintained in their local currencies, the RMB, which are also the functional currencies of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statement of operations.

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The Group's entities with functional currency of RMB, translate their operating results and financial positions into the U.S. dollar, the Group's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Comprehensive income

Comprehensive income includes net income and cumulative foreign currency translation adjustments and is reported in the statement of shareholder s equity (deficit).

Operating leases

Leases where the rewards and risks of ownership of assets primarily remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease periods.

Newly adopted accounting pronouncements

In July 2012, the FASB has issued an authoritative pronouncement related to testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the pronouncement, entities testing indefinite-lived intangible assets for impairment would have the option of performing a qualitative assessment before calculating the fair value of the asset. If an entity determines, on the basis of qualitative factors, that the indefinite-lived intangible asset is not more likely than not impaired, a quantitative fair value calculation would not be needed. The guidance is effective for annual and interim indefinite-lived intangible assets impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Group has adopted this guidance on April 1, 2013. The adoption of this guidance did not have a material effect on the Group s consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

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In January 2014, the FASB issued a pronouncement which provides guidance on the accounting for service concession arrangements. This ASU specifies that an operating entity should not account for a service concession arrangement, within the scope of this ASU, as a lease in accordance with Topic 840, Leases. Service concession arrangements may become more prevalent in the United States as public-sector entities seek alternative ways to provide public services on a more efficient and cost-effective basis.

An operating entity should refer to other Codification Topics as applicable to account for various aspects of a service concession arrangement. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant, and equipment of the operating entity.

The amendments in this ASU should be applied on a modified retrospective basis to service concession arrangements that exist at the beginning of an entity's fiscal year of adoption. The modified retrospective approach requires the cumulative effect of applying this ASU to arrangements existing at the beginning of the period of adoption to be recognized as an adjustment to the opening retained earnings balance for the annual period of adoption. The amendments are effective for a public business entity for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Group does not expect the adoption of this guidance will have a material effect on its consolidated financial statements.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently issued accounting pronouncements not yet adopted - continued

In April 2014, the FASB issued a new pronouncement which amends to change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP.

Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment.

In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations.

The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization's results from continuing operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The Group does not expect the adoption of this guidance will have a material effect on its consolidated financial statements.

In May 2014, the FASB issued a new pronouncement which affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles - Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently issued accounting pronouncements not yet adopted - continued

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted.

An entity should apply the amendments in this ASU using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:

- For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.

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- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

2. Retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. If an entity elects this transition method it also should provide the additional disclosures in reporting periods that include the date of initial application of:

- The amount by which each financial statement line item is affected in the current reporting period by the application of this ASU as compared to the guidance that was in effect before the change.

- An explanation of the reasons for significant changes.

The Group is in processing to adopt this pronouncement.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently issued accounting pronouncements not yet adopted - continued

In June 2014, the FASB issued a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation - Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this ASU as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. In addition, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. The Group does not expect the adoption of this guidance will have a material effect on its consolidated financial statements.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION

(1) Acquisition of iKang Shanghai Jianwei

On August 17, 2012, the Group acquired 100% equity interest of iKang Shanghai Jianwei, which provides medical examination services with cash consideration of \$1,249. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 39	
Non-current assets	463	
Deferred tax assets	274	
Total	776	
Intangible assets acquired:		
Customer relationship	71	5.3 years
Operating license	32	1.4 years
Goodwill	396	
Deferred tax liability	(26)	
Total	473	
Total consideration	\$ 1,249	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purpose.

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The operating results of the acquired business of iKang Shanghai Jianwei have been included in the Group's consolidated financial statements since the date of acquisition. iKang Shanghai Jianwei contributed net revenue of \$300 and \$1,122, and net loss of \$647 and \$773 to the Group's consolidated statements of operations in the years ended March 31, 2013 and 2014, respectively.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

(2) Acquisition of iKang Changchun

On November 5, 2012, the Group acquired 100% equity interest of iKang Changchun, which provides medical examination services with cash consideration of \$915. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 5	
Non-current assets	307	
Total	312	
Intangible assets acquired:		
Customer relationship	165	6.1 years
Favorable lease contract	21	5.1 years
Operating license	48	2.5 years
Goodwill	427	
Deferred tax liability	(58)	
Total	603	
Total consideration	\$ 915	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purpose.

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The operating results of the acquired business of iKang Changchun have been included in the Group's consolidated financial statements since the date of acquisition. iKang Changchun contributed net revenue of \$25 and \$593, and net loss of \$301 and \$832 to the Group's consolidated statements of operations in the years ended March 31, 2013 and 2014, respectively.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

(3) Acquisition of iKang Guangzhou Wokang

On December 3, 2012, the Group acquired 100% equity interest of iKang Guangzhou Wokang, which provides medical examination services with cash consideration of \$2,986. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 117	
Non-current assets	550	
Total	667	
Net tangible liabilities:		
Current liabilities	\$ (44)	
Total	(44)	
Intangible assets acquired:		
Customer relationship	175	6.0 years
Favorable lease contract	1,074	9.8 years
Operating license	48	3.1 years
Goodwill	1,390	
Deferred tax liability	(324)	
Total	2,363	
Total consideration	\$ 2,986	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the

acquisition. The acquired goodwill is not deductible for tax purpose.

The operating results of the acquired business of iKang Guangzhou Wokang have been included in the Group's consolidated financial statements since the date of acquisition. iKang Guangzhou Wokang contributed net revenue of \$7 and \$2,737, and net loss of \$273 and net income of \$964 to the Group's consolidated statements of operations in the years ended March 31, 2013 and 2014, respectively.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

- (4) Acquisition of Yuanhua BVI, Yuanhua WFOE, Yuanhua information and Yuanhua Clinic (collectively, Yuanhua)

On July 31, 2013, the Group acquired 100% equity interest of Yuanhua, which provides medical examination related services with cash consideration of \$27,600. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 8,059	
Non-current assets	1,150	
Deferred tax assets	371	
Total	9,580	
Net tangible liabilities:		
Current liabilities	\$ (6,060)	
Total	(6,060)	
Intangible assets acquired:		
Trade name	4,830	
Customer relationship	6,307	5.0-7.4 years
Operating license	49	2.3 years
Contract backlog	49	0.9 years
Goodwill	15,654	
Deferred tax liability	(2,809)	
Total	24,080	
Total consideration	\$ 27,600	

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The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purpose.

The operating results of the acquired business of Yuanhua have been included in the Group's consolidated financial statements since the date of acquisition. Yuanhua contributed net revenue of \$10,091, and net loss of \$1,023 to the Group's consolidated statements of operations in the year ended March 31, 2014.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

(5) Acquisition of Nanjing Aoyang TCM Clinic Co., Ltd. and Nanjing Aoyang Shunkang Health Information Consultancy Co., Ltd. (collectively, Nanjing Aoyang)

On September 1, 2013, the Group acquired 100% equity interest of Nanjing Aoyang, which provides medical examination services with cash consideration of \$4,085. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 15	
Non-current assets	3,314	
Total	3,329	
Intangible assets acquired:		
Operating license	33	1.3 years
Goodwill	731	
Deferred tax liability	(8)	
Total	756	
Total consideration	\$ 4,085	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purpose.

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The operating results of the acquired business of Nanjing Aoyang have been included in the Group's consolidated financial statements since the date of acquisition. Nanjing Aoyang contributed net revenue of \$218, and net loss of \$1,145 to the Group's consolidated statements of operations in the year ended March 31, 2014.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

- (6) Acquisition of Zhejiang Huzhou Ailikang Investment Management Co. Ltd. (Zhejiang Ailikang)

On December 31, 2013, the Company acquired 100% equity interest of Zhejiang Ailikang, which holds 100% equity of Hangzhou Aibo Huagang Clinic Co. Ltd., a company providing medical examination service, for cash consideration of \$1,663. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 2	
Non-current assets	576	
Total	578	
Net tangible liabilities:		
Current liabilities	\$ (818)	
Total	(818)	
Intangible assets acquired:		
Favorable lease contract	283	5.3 years
Operating license	83	2.7 years
Goodwill	1,628	
Deferred tax liability	(91)	
Total	1,903	
Total consideration	\$ 1,663	

The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the

acquisition. The acquired goodwill is not deductible for tax purpose.

The operating results of the acquired business of Zhejiang Ailikang have been included in the Group's consolidated financial statements since the date of acquisition. Zhejiang Ailikang contributed net revenue of nil, and net loss of \$158 to the Group's consolidated statements of operations in the year ended March 31, 2014.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

(7) Acquisition of MediFast

On January 14, 2014, the Group acquired 80% equity interest of MediFast, which provides medical examination, health management and medical services, with cash consideration of \$8,113. Acquisition-related costs were nil.

The transaction was accounted for as a business combination using the acquisition method of accounting. The fair value of identifiable intangible assets was determined by the Group with the assistance of an independent third-party valuation firm and the value of the purchase price was allocated to assets acquired and liabilities assumed as of the date of acquisition as follows:

		Estimated useful life
Net tangible assets:		
Current assets	\$ 1,944	
Non-current assets	927	
Total	2,871	
Net tangible liabilities:		
Current liabilities	\$ (1,431)	
Total	(1,431)	
Intangible assets acquired:		
Customer relationship	2,825	5.0-10.0 years
Non-compete agreement	451	3.0 years
Trade-name	374	Indefinite
Goodwill	5,332	
Deferred tax liability	(619)	
Total	8,363	
Non-controlling interest	\$ (1,690)	
Total consideration	\$ 8,113	

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The goodwill represents excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired, and is mainly attributed to (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purpose.

The operating results of the acquired business of MediFast have been included in the Group's consolidated financial statements since the date of acquisition. MediFast contributed net revenue of \$2,570, and net income of \$328 to the Group's consolidated statements of operations in the year ended March 31, 2014.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

3. ACQUISITION - continued

(8) Pro forma information

The following unaudited pro forma information summarizes the results of operations of the Group for the years ended March 31, 2012 and 2013 assuming that the acquisitions of iKang Shanghai Jianwei, iKang Changchun and iKang Guangzhou Wokang occurred as of April 1, 2011. The following pro forma financial information is not necessarily indicative of the results that would have occurred had the acquisitions been completed at the beginning of the periods indicated, nor is it indicative of future operating results:

	Year ended March 31,	
	2012 (Unaudited)	2013 (Unaudited)
Pro forma net revenue	\$ 98,177	\$ 137,269
Pro forma net income attributable to common shareholders of iKang Healthcare Group, Inc.	\$ 8,657	\$ 12,334

The following unaudited pro forma information summarizes the results of operations of the Group for the years ended March 31, 2013 and 2014 assuming that the acquisitions of Yuanhua, Nanjing Aoyang, Shanghai Jianwei Management, Zhejiang Ailikang and MediFast occurred as of April 1, 2012, the acquisition of iKang Shanghai Jianwei, iKang Changchun and iKang Guangzhou Wokang occurred as of April 1, 2011. The following pro forma financial information is not necessarily indicative of the results that would have occurred had the acquisitions been completed at the beginning of the periods indicated, nor is it indicative of future operating results:

	Year ended March 31,	
	2013 (Unaudited)	2014 (Unaudited)
Pro forma net revenue	\$ 161,447	\$ 215,104
Pro forma net income attributable to common shareholders of iKang Healthcare Group, Inc.	\$ 12,818	\$ 21,110

(9) Acquisition of Assets

On March 26, 2013, the Company acquired the operating license of iKang Shenzhen Kefa with a cash consideration of \$167.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following:

		2013	As of March 31,	2014
Accounts receivable	\$	33,461	\$	41,949
Less: allowance for doubtful accounts		3,272		4,330
Accounts receivable, net	\$	30,189	\$	37,619

Movement of allowance for doubtful accounts is as follows:

		2013	As of March 31,	2014
Balance at beginning of year	\$	1,561	\$	3,272
Charge to expenses		1,800		1,100
Write off		(132)		(97)
Exchange difference		43		55
Balance at end of year	\$	3,272	\$	4,330

The Group decides to write off a receivable and the corresponding provision when it determines that certain events indicate that there is no chance that an account receivable can be collected, such as liquidation of a customer or termination of cooperation. The Group can also claim deduction on a current tax return for a bad debt expense when sufficient evidence is submitted to the tax authority and approved by the tax authority to support the uncollectibility of the bad debt.

5. INVENTORIES

Inventories consist of the following:

		As of March 31,	
	2013		2014
Medical consumable	\$	1,162	\$ 1,693

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	2013	As of March 31,	2014
Advance to suppliers(1)	\$ 2,191	\$	9,022
Deferred IPO cost			3,482
Prepaid rental expense	1,511		2,226
Staff advance	939		2,141
Prepaid acquisition fees(2)			1,705
Prepaid expenses(3)	1,269		792
Fair value of the forward contracts(4)			57
Other receivable	706		587
	\$ 6,616	\$	20,012

(1) Advance to suppliers represents advance payment to suppliers to purchase medical equipment and consumables.

(2) Prepaid acquisition fees represent advance payments for acquisitions.

(3) Prepaid expenses mainly consist of amounts paid for professional fee and advertisement fees for which relating services have not been provided.

(4) The Bayley & Jackson (Hong Kong) entered into two foreign currency exchange forward contracts with Bank of East Asia (BEA) in June and July 2013, respectively. Pursuant to those contracts, Bayley & Jackson (Hong Kong) bought two buy RMB20,000, sell USD foreign exchange forward contracts using the quoted exchange rates at 6.2825 and 6.2620, respectively. The Group carries the forward contracts at fair value in its balance sheet and the changes in the exchange forward contract fair value during the each period end are recorded in the statement of the operations. The Group carries the forward contract as asset at fair value at March 31, 2014. The Group measures the fair value of the forward contract on a recurring basis based on a level 2 measure, i.e. the Group uses the market exchange rate to assess the fair value of the forward contract and recognizes the changes in fair value attributable to the difference between the market exchange rate and contractual

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exchange rate in change in fair value of the forward contracts. For the year ended March 31, 2014, the Group recorded a gain of \$57 in change in fair value of the forward contracts. The forward contracts was settled in June 2014.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	2013	As of March 31,	2014
Medical equipment	\$ 30,805	\$	46,275
Leasehold improvements	22,310		33,807
Computer equipment and application software	5,569		7,815
Furniture and fixtures	3,718		5,329
Motor vehicles	440		732
Construction in progress	385		8,560
Less: accumulated depreciation and amortization	30,655		38,874
	\$ 32,572	\$	63,644

Depreciation expenses charged to the consolidated statement of operations for the years ended March 31, 2012, 2013 and 2014 were \$5,722, \$7,112 and \$8,874, respectively.

8. ACQUIRED INTANGIBLE ASSETS, NET

The gross carrying amount, accumulated amortization and net carrying amount of the intangible assets are as follows:

	2013	As of March 31,	2014
Acquired intangible assets not subject to amortization			
Trade-name	\$ 2,078	\$	7,212
Acquired intangible assets subject to amortization			
Customer relationship	3,265		12,303
Operating license	2,002		2,161
Favorable lease contract	1,098		1,372
Contract backlog	39		88

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Non-compete agreement	2	454
Less: accumulated amortization		
Customer relationship	2,484	4,059
Operating license	1,024	1,289
Favorable lease contract	29	169
Contract backlog	39	80
Non-compete agreement	1	37
Less: impairment	427	426
Intangible assets, net	\$ 4,480	\$ 17,530

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

8. ACQUIRED INTANGIBLE ASSETS, NET - continued

Amortization expenses for the years ended March 31, 2012, 2013 and 2014 were \$563, \$598 and \$1,885, respectively. Amortization expenses for the years ended March 31, 2015, 2016, 2017, 2018, 2019 and thereafter would be \$2,865, \$2,292, \$1,785, \$1,264, \$838 and \$1,274, respectively. No impairment loss was recognized on acquired intangible assets during the years ended March 31, 2012, 2013 and 2014.

9. GOODWILL

The changes in carrying amounts of goodwill for the years ended March 31, 2012 and 2013 were as follows:

	2013	As of March 31,	2014
Gross amount:			
Beginning balance	\$ 41,103	\$	43,503
Addition for the year by acquisition of			
iKang Shanghai Jianwei	396		
iKang Changchun	427		
iKang Guangzhou Wokang	1,390		
Nanjing Aoyang			731
Yuanhua			15,654
Shanghai Jianwei Management			572
Zhejiang Ailikang			1,628
MediFast			5,332
Exchange difference	187		(484)
Ending balance	43,503		66,936
Accumulated impairment loss:			
Beginning balance	25,665		25,712
Exchange difference	47		(188)
Ending balance	\$ 25,712	\$	25,524
Goodwill	\$ 17,791	\$	41,412

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	2013	As of March 31,	2014
Accrued rental expense	\$ 2,554		\$ 4,944
Accrued payroll and welfare	2,434		4,231
Acquisitions consideration payable (1)	537		3,628
Accrued social insurance	2,248		2,368
Accrued IPO expenses			2,268
Other taxes payable	1,610		2,254
Accrued outsourcing cost	1,121		1,909
Accrued professional fees (2)	2,738		55
Interest expense payable	169		27
Other payable to shareholders (3)	2,256		
Other payables	1,524		2,591
	\$ 17,191		\$ 24,275

(1) Acquisitions consideration payable consists of remaining payables to sellers of the acquired entities. As of March 31, 2013, the acquisitions consideration payable consisted payable for the acquisition of iKang Shanghai Zhonghuan and iKang Shanghai Jing an, iKang Shanghai Jianwei, and iKang Changchun amounted \$137, \$322 and \$78, respectively. As of March 31, 2014, the acquisitions consideration payable consisted payable for the acquisition of iKang Shanghai Jianwei, Nanjing Aoyang, Yuanhua, Zhejiang Ailikang, MediFast and Shanghai Huajian Clinic Ltd. amounted \$129, \$402, \$540, \$62, \$839 and \$1,656, respectively.

(2) As of March 31, 2013, the balance represents the professional fees for the issuance of Series F convertible redeemable participating preferred shares (Series F shares), which was paid in June 2013.

(3) In March 2013, pursuant to the share purchase agreement and various agreements among the Company, some existing shareholders and the Series F shares investors, certain existing shareholders sold some of their shares to some series F shares investors. Part of the consideration amounted \$2,256 was received by the Company on behalf of the selling shareholders, which was paid back to those selling shareholders in May 2013.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

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11. BANK BORROWINGS

		As of March 31,	
		2013	2014
Short term borrowings(1)	\$	5,482	\$ 18,201
Long term borrowings(2)			1,865
	\$	5,482	\$ 20,066

(1) On June 25, June 28, July 10, September 17 and December 19, 2013, iKang Holding borrowed five one-year loans of \$1,627, \$1,304, \$1,630, \$1,606 and \$4,941 respectively from BEA, to purchase the property and equipment capital and meet temporary working capital needs of the Group. The annual interest rates are the benchmark interest rate announced by the People's Bank of China plus 10% of the benchmark interest rate. The loans were guaranteed by Beijing iKang and collateralized by restricted cash. As of March 31, 2013 and 2014, the outstanding short term borrowings were nil and \$10,910, respectively.

In September 2013, iKang Online signed a ten-year loan framework agreement with an amount no more than \$2,451 with BEA, to repay the loans from China Merchants Bank which was due in September 2013. On September 17, 2013, iKang Online borrowed a one-year loan of \$2,410 according to the framework agreement. The annual interest rate was equal to the benchmark interest rate announced by the People's Bank of China plus 10% of the benchmark interest rate. The loan was guaranteed by Beijing iKang and collateralized by restricted cash. As of March 31, 2013 and 2014, the outstanding short-term borrowings were nil and \$2,372, respectively.

In March 2014, seven clinics in Beijing signed seven one-year loan framework agreements with an amount no more than \$8,896 with Bank of Beijing, to meet temporary working capital needs of the Group. Clinics borrowed total \$4,919 in March, 2014. The annual interest rate is the benchmark interest rate announced by the People's Bank of China plus 15% of the benchmark interest rate. The loans were guaranteed by iKang Online and iKang Holdings. As of March 31, 2013 and 2014, the outstanding short term borrowing were nil and \$4,919, respectively.

(2) In June 2013, iKang Holding signed a ten-year loan framework agreement with total loan amounts no more than \$3,268 with BEA, to meet the Group's needs to purchase the property and equipment. On June 28, 2013, iKang Holding borrowed a two-year loan of \$1,897 according to the framework agreement. The annual interest rate is the benchmark interest rate announced by the People's Bank of China plus 10% of the benchmark interest rate. The loan was guaranteed by Beijing iKang and collateralized by restricted cash. As of March 31, 2013 and 2014, the outstanding long term borrowings were nil and \$1,865, respectively.

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Interest expenses incurred for the year ended March 31, 2012, 2013 and 2014 were \$5 and \$477, \$827, respectively. The weighted average effective interest rate for the year ended March 31, 2012, 2013 and 2014 was 8.2%, 7.8% and 7.0%, respectively.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

12. CONVERTIBLE LOAN

In May 2012, the Company signed a convertible loan agreement with amount of \$2,000 with an unrelated third party, with annual interest rate of 8% and the maturity date of December 31, 2012. On or prior to the maturity date, the lender has the option to extend the maturity date of the convertible loan to June 30, 2013, and also has the option but not the obligation to convert the loan into common shares of the Company. As of March 31, 2013, the loan has not been repaid or converted because no notice from the lender was received by the Company. In June 2013, the Group repaid the convertible loan and accrued interests amounted to \$2,300 in full pursuant to an agreement with the lender.

13. INCOME TAXES

Cayman Islands

The Company was tax-exempted companies incorporated in the Cayman Islands and is not subject to tax on income or capital gains.

British Virgin Islands (BVI)

The iKang Guobin and iKang Zhejiang BVI are exempted from income tax in BVI where were incorporated.

Hong Kong

Bayley & Jackson (Hong Kong), Yuanhua HK and MediFast are subject to Hong Kong Profits Tax at 16.5% on its activities conducted in Hong Kong.

PRC

Since January 1, 2008, the Company's PRC subsidiaries, iKang holding and its subsidiaries are subject to the 25% standard enterprise income tax except for those accepted as deemed profit method enterprises, or qualified for small-scale enterprises, or granted preferential tax treatment.

Shanghai iKang and iKang Holding were established in Shanghai Pudong Economic Open Zones, which entitled them to a preferential tax rate of 15% prior to January 1, 2008. Based on the transition rules of the EIT Law, iKang Holdings and Shanghai iKang continued to enjoy preferential tax rates of 18%, 20%, 22%, 24%, from January 1, 2008 through December 31, 2011, respectively, due to the preferential tax qualification obtained prior to January 1, 2008.

iKang Shenzhen Nanshan, iKang Shenzhen Luohu, iKang Shenzhen Futian and Shenzhen Kefa are subject to PRC individual income tax rate of 35% due to regulations set by local governments.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

13. INCOME TAXES - continued

PRC - continued

Under the EIT Law and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the beneficial owner and directly holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. The BVI, where the Company is incorporated, does not have a tax treaty with PRC.

Since January 1, 2008, the relevant tax authorities of the Group's subsidiaries have not conducted a tax examination on the Group's PRC entities. In accordance with relevant PRC tax administration laws, tax years from 2009 to 2013 of the Group's PRC subsidiaries and VIE entities, remain subject to tax audits as of March 31, 2014, at the tax authority's discretion.

Aggregate undistributed earnings of the Company's subsidiaries located in the PRC that are available for distribution to the Company are approximately \$6,309 as of March 31, 2014. The undistributed earnings of the Company's subsidiaries located in the PRC are considered to be indefinitely reinvested, because the Group does not have any present plan to pay any cash dividends on its common shares in the foreseeable future and intends to retain most of its available funds and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability has been accrued for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company as of March 31, 2014.

Aggregate undistributed earnings of the Company's VIEs and its VIEs' subsidiaries located in the PRC that are available for distribution to the Company were approximately \$52,786 as of March 31, 2014. A deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amount in domestic subsidiaries. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

13. INCOME TAXES - continued

PRC - continued

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered China residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income taxes, at a rate of 25%.

The current and deferred portions of income tax expenses included in the consolidated statements of operations, which were all attributable to the Group's PRC subsidiaries and VIE entities, are as follows:

	2012	Years ended March 31, 2013	2014
Current tax expense	\$ 3,987	\$ 7,311	\$ 12,048
Deferred tax benefits	(48)	(1,177)	(1,947)
Income tax expenses	\$ 3,939	\$ 6,134	\$ 10,101

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

13. INCOME TAXES - continued

PRC - continued

The principal components of the deferred income tax assets and liabilities are as follows:

	2013	As of March 31,		2014
Current deferred tax assets:				
Accrued expenses	\$	1,410	\$	2,185
Deferred revenue		158		125
Accrued payroll		656		1,056
Bad debt provision		791		995
Less: Valuation allowance		(141)		(370)
Current deferred tax assets	\$	2,874	\$	3,991
Non-current deferred tax assets:				
Depreciation and amortization	\$	358		212
Due to impairment of long-lived assets		102		88
Net operating tax loss carry-forwards		1,724		3,748
Less: Valuation allowance		(728)		(2,041)
Non-current deferred tax assets	\$	1,456	\$	2,007
Non-current deferred tax liabilities:				
Intangible assets	\$	499	\$	3,478
Non-current deferred tax liabilities	\$	499	\$	3,478

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

13. INCOME TAXES - continued

PRC - continued

The Group considers the following factors, among other matters, when determining whether some portion or all of the deferred tax assets will more likely than not be realized: the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Group's experience with tax attributes expiring unused and tax planning alternatives. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law.

As of March 31, 2014, the Group's PRC subsidiaries, VIE and VIE's subsidiaries had a tax loss carry-forward amounted to \$14,993 and would expire on various dates between March 31, 2015 and March 31, 2019. The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIE entities may not be used to offset other subsidiaries' or VIE entities' earnings within the Group. Valuation allowance is considered on each individual subsidiary and legal entity basis. Valuation allowances have been established in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

Reconciliation between the expense (benefit) of income taxes computed by applying the PRC tax rate to income (loss) before income taxes and the actual provision for income taxes is as follows:

	2012	For the year ended March 31,		2014
		2013		
Net income before provision	\$ 14,331	\$ 18,583	\$ 32,183	
PRC statutory tax rate	25%	25%	25%	
Income tax at statutory tax rate	\$ 3,583	\$ 4,646	\$ 8,046	
Change in valuation allowance	(16)	126	704	
Expenses not deductible for tax purposes	258	631	440	
Effect of income tax rate difference for entities under individual income tax rate of 35%	67	129	390	
Loss utilized for entities under individual income tax rate of 35%	(235)	(153)	(99)	
Effect of income tax rate differences in other jurisdictions	282	755	620	

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Income tax expense	\$	3,939	\$	6,134	\$	10,101
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The Group did not identify significant unrecognized tax benefits for the years ended March 31, 2012, 2013 and 2014. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also believed that uncertainty in income taxes did not have a significant impact on the unrecognized tax benefits within next twelve months.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

14. COMMON SHARE

As of March 31, 2014, the Company was authorized to issue a maximum of 39,268,485 shares with a par value of \$0.01 per share, comprised 37,698,485 Class A common shares and 1,570,000 Class B common shares.

As of March 31, 2013, the Company was authorized to issue a maximum of 37,596,704 shares with a par value of \$0.01 per share, comprised 36,026,704 Class A common shares and 1,570,000 Class B common shares.

15. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On March 31, 2013, there were 1,094,668 Series A convertible redeemable participating preferred shares (Series A shares), 686,368 Series B convertible redeemable participating preferred shares (Series B shares), 794,250 Series C1 convertible redeemable participating preferred shares (Series C1 shares), 126,286 convertible redeemable participating preferred shares (Series C2 shares), 1,024,318 Series C3 convertible redeemable participating preferred shares (Series C3 shares) (Series C1 shares, Series C2 shares and Series C3 shares are collectively referred to as Series C shares), 3,538,864 Series D1 convertible redeemable participating preferred shares (Series D1 shares), 2,307,536 Series D2 convertible redeemable participating preferred shares (Series D2 shares) (Series D1 shares and Series D2 shares are collectively referred to as Series D shares), 4,289,457 Series E convertible redeemable participating preferred shares (Series E shares) and 4,654,697 Series F shares outstanding.

On August 28, 2013, the Company issued 1,953,499 Series F shares, which are under the same terms of Series F shares issued on March 28, 2013 to a group of investors for a consideration of \$25,181.

On October 16, 2013, a total number of 596,484 Class A common shares and Series D1 and D2 preferred shares held by certain existing shareholders were sold to a third party investor pursuant to the share purchase agreements dated September 12, 2013. The existing shares were sold for \$12.0309 per share, which was the same as the selling price of existing shares to new investors in March 2013. The 596,484 sold shares were redesignated as 596,484 Series F shares immediately after the completion of the sale and purchase of the shares. The price agreed and paid by the purchaser of Series F shares was \$14.1792 per share, which was determined by the Company and agreed by the purchaser based on the estimated equity value of the Company on the date of the share purchase agreement. Total sold price of \$7,176 was paid by the purchaser to the sellers in October 2013. The difference of selling price and purchase price of the shares totaling \$1,281 was paid by the purchaser to the Company in October 2013. The Company credited for the \$1,281 to the series F shares.

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As of March 31, 2014, there were 1,094,668 Series A shares, 686,368 Series B shares, 794,250 Series C1 shares, 126,286 Series C2 shares, 1,024,318 Series C3 shares, 3,488,864 Series D1 shares, 2,072,624 Series D2 shares, 4,289,457 Series E shares and 7,204,680 Series F shares preferred shares outstanding.

The Series A, B, C, D, E and F shares are collectively referred to as the preferred shares.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

15. CONVERTIBLE REDEEMABLE PREFERRED SHARES - continued

Key terms of the preferred shares are summarized as follows:

Redemption

The original redemption price of the Series A, B, C, D and E shares equaled the sum of (i) the preferred share original issue price, and (ii) interest calculated at 10% per year compounded annually from the original preferred share issue date until original maturity on April 22, 2012. The Company recognized entire changes in the redemption value and adjusted the carrying value of the preferred shares to equal the redemption value immediately when the preferred shares were issued. As a result, \$26,353 of redemption premium of the preferred shares was recorded as a deemed dividend upon issuance of those preferred shares.

Series E shares which were originally redeemable upon or at any time after (i) November 28, 2011, if no qualified IPO or a company sale had occurred by such date, or (ii) February 28, 2011, in the event that any shareholder refused to participate in a company sale.

Pursuant to a supplemental agreement entered into between the Company and the holders of Series E shares dated on July 14, 2011, Series E shares would be redeemable after April 22, 2012. hence additional redemption premium of \$2,312 related to the period from the original redemption due date of July 14, 2011 to April 22, 2012 was charged as deemed dividend for the year ended March 31, 2012.

After issuance of Series F shares and at the election of Series F shareholders, each Series F share shall be eligible to be redeemed if any of the following events occurs:

- (1) by March 28, 2017, the Restructuring has been completed but a Qualified IPO has not been consummated;

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Restructuring means the transfer of all interests in the medical centers, clients, employees, contractors and all other assets held by the PRC Entities (other than direct or indirect wholly-owned subsidiaries of the Company) as of Series F shares issuance date and any such additional interests in medical centers, clients, employees, contractors and other acquired by the PRC Entities thereafter to a direct or indirect wholly owned subsidiary of the Company.

(2) Other than as approved by the Company's board of directors (including the affirmative votes of Series F share directors), the loss of control or the inability to consolidate over any subsidiaries or VIE entities of the Group that account for three percent (3%) or more of the then consolidated revenues or hold three percent (3%) or more of the then consolidated assets;

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

15. CONVERTIBLE REDEEMABLE PREFERRED SHARES - continued

Redemption - continued

(3) the Restructuring is not completed by the expiry of 18 months from the earlier of (i) the effective date of a Change of Law or (ii) the date of such announcement or promulgation of a Change of Law;

Change of Law means any change of applicable Laws that would have a material adverse effect on the validity of, or on the rights (as a whole) granted under, the VIE arrangements.

(4) the Restructuring is not completed within two years from the date of a Restricted Venue Resolution, or

Restricted Venue Resolution means the resolution passed by the majority of the Company's board of directors to proceed with an IPO upon the occurrence of Change of Law;

(5) by March 28, 2017, the Restructuring has not been completed and a Qualified IPO has not been consummated.

In the case of (1) to (4) above, the redemption price of the Series F shares equals to the sum of (i) the preferred share original issue price, and (ii) interest calculated at 10% per year compounded annually from the original preferred share issue date.

In the case of (5) above, the redemption price of the Series F shares equals to the sum of (i) the preferred share original issue price, and (ii) interest calculated at 12% per year compounded annually from the original preferred share issue date.

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Upon the issuance of Series F shares, redemption of preferred shares other than Series F and E shares, shall require no less than five affirmative votes out of nine votes of the board directors, including the both affirmative votes of Series F shares directors.

Series E shares can only be redeemed at the election of Series E preferred shareholders for cash at their redemption price when Series F shares are redeemed.

Series B, C1, C2 and D1 shares are redeemable upon the second anniversary of the Series F issuance date and thereafter.

Series A shares are redeemable at the election of the relevant classes of preferred shareholders for cash at their redemption price when Series F, E, B, C1, C2 and D1 shares are redeemed.

Series C3 and D2 shares can only be redeemed when series F, E, B, C1, C2, D1 and A shares are redeemed at the election of the preferred shareholders.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

15. CONVERTIBLE REDEEMABLE PREFERRED SHARES - continued

Redemption - continued

Upon the issuance of Series F shares, the redemption price of the Series A, B, C, D and E shares equals to the sum of (i) the preferred share original issue price, and (ii) interest calculated at 10% per year compounded annually from the original preferred share issue date until March 28, 2017.

The Company recognized changes in the redemption value and adjusted the carrying value of the preferred shares to equal the entire redemption value immediately when the preferred shares were issued, as a result, \$74,075 and \$17,763 of redemption premium of the preferred shares was recorded as a deemed dividend for the years ended March 31, 2013 and 2014, respectively.

Voting rights

Preferred shareholders are entitled to the number of votes equal to the number of common shares into which such preferred shares could be converted at the record date.

Dividends

Whenever a dividend is declared by the board of directors of the Company, the preferred shares holders shall receive, in preference to any dividend on any common shares a non-cumulative dividend in an amount equal to 6% annually of the preferred shares original purchase price, as adjusted for stock splits, stock dividends, etc., and shall also participate on an as converted basis with respect to any dividends payable to the common shares. The sequence of dividend participating right of all series of preferred shares was as follows:

- (1) Series F

- (2) Series E
- (3) Series B, C1, C2 and D1
- (4) Series A
- (5) Series C3 and D2

Conversion

Each preferred share shall be convertible, at the option of the holder thereof, at any time after the preferred shares' original date of issuance, into such number common shares as determined by dividing the preferred share original issue price by preferred share conversion price.

The initial conversion ratio was one for one. The conversion price has a standard anti-dilution adjustment term for items such as stock splits and recapitalization. It also has a down-round provision, under which when the Company issues any additional shares at a price per share that is lower than the conversion price per share then in effect, the conversion price per share is adjusted down. There have been no such adjustments to the conversion price.

The Company has recorded beneficial conversion feature amounted nil, nil, \$328, nil, nil and nil attributable to the Series A, B, C, D, E and F shares, respectively.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

15. CONVERTIBLE REDEEMABLE PREFERRED SHARES - continued

Conversion - continued

Each preferred share would automatically be converted into common shares at the then effective preferred share conversion price upon the closing of a qualified IPO, which was consummated in April 2014.

Liquidation preference

Upon occurrence of a liquidation event, an amount shall be paid with respect to each preferred share equal to 100% of the original purchase price, plus any declared but unpaid dividends, adjusted for any share dividends, combinations, splits, recapitalizations and the like. If, after liquidation, distribution, or winding up, the assets of the Company are insufficient to make payment in full to all preferred shareholders, then such assets shall be distributed among the preferred shareholders ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon. The sequence of liquidation right of all series of preferred shares is as follows:

- (1) Series F shares
- (2) Series E shares
- (3) Series B, C1, C2 and D1 shares
- (4) Series A shares
- (5) Series C3 and D2 shares

The preferred shares were accounted for as mezzanine equity.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

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(In U.S. dollars in thousands, except share data)

16. NET INCOME (LOSS) PER SHARE

The Group has determined that its convertible redeemable preferred shares are participating securities as the preferred shares participate in undistributed earnings on an as-if-converted basis. The holders of the preferred shares are entitled to receive dividends on a pro rata basis, as if their shares had been converted into common shares. Accordingly, the Group uses the two-class method of computing net income per share, for common and preferred shares according to participation rights in undistributed earnings.

The calculation of net income (loss) per share is as follows:

	2012	For the year ended March 31,		2014
		2013		
Net income attributable to iKang Healthcare Group, Inc.	\$ 9,702	\$ 12,111	\$	21,607
Deemed dividend to Series A shares		5,112		
Deemed dividend to Series B shares		5,204		
Deemed dividend to Series C shares		4,366		
Deemed dividend to Series D shares		14,875		1,945
Deemed dividend to Series E shares	2,312	20,308		
Deemed dividend to Series F shares		34,441		18,491
Undistributed earnings allocated to Series A shares	150	150		118
Undistributed earnings allocated to Series B shares	200	200		130
Undistributed earnings allocated to Series C shares	265	265		231
Undistributed earnings allocated to Series D shares	831	831		789
Undistributed earnings allocated to Series E shares	1,324	1,324		1,323
Undistributed earnings allocated to Series F shares		48		4,719
Net (loss) income attributed to common and preferred shareholders for computing net income per common share- basic and diluted (1)	4,620	(75,013)		(6,139)
<u>Numerator:</u>				
Series A shares- Deemed dividend		5,112		
Undistributed earnings allocation	150	150		118
Net income attribution	299			
	449	5,262		118

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Series B shares-			
Deemed dividend		5,204	
Undistributed earnings allocation	200	200	130
Net income attribution	228		
	428	5,404	130
Series C shares-			
Deemed dividend		4,366	
Undistributed earnings allocation	265	265	231
Net income attribution	445		
	710	4,631	231

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

16. NET INCOME PER SHARE - continued

	For the year ended March 31,		
	2012	2013	2014
Series D shares-			
Deemed dividend		14,875	1,945
Undistributed earnings allocation	831	831	789
Net income attribution	1,309		
	2,140	15,706	2,734
Series E shares-			
Deemed dividend	2,312	20,308	
Undistributed earnings allocation	1,324	1,324	1,323
Net income attribution	921		
	4,557	21,632	1,323
Series F shares-			
Deemed dividend		34,441	18,491
Undistributed earnings allocation		48	4,719
Net income attribution			
		34,489	23,210
Net (loss) income attributed to common shareholders for computing net income per common share- basic and diluted(1)	1,418	(75,013)	(6,139)
Denominator:			
Weighted average common shares outstanding used in computing diluted net income per common share-basic(2)	6,599,009	6,683,678	6,340,005
Weighted average shares outstanding used in computing net income per common shares-diluted (2)	6,768,074	6,683,678	6,340,005
Weighted average shares used in computing basic net income per shares			
Series A shares	1,391,044	1,386,984	1,094,668
Series B shares	1,059,735	1,054,620	686,368
Series C shares	2,071,140	2,069,410	1,944,854
Series D shares	6,091,920	6,088,557	5,717,326
Series E shares	4,289,457	4,289,457	4,289,457
Series F shares		63,763	6,075,702
Net (loss) income per common share attributable to iKang Healthcare Group, Inc.-basic	\$ 0.22	\$ (11.22)	\$ (0.97)

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Net (loss) income per common share attributable to iKang Healthcare Group, Inc.-diluted	\$	0.21	\$	(11.22)	\$	(0.97)
Net income per Series A shares	\$	0.32	\$	3.79	\$	0.11
Net income per Series B shares	\$	0.40	\$	5.13	\$	0.19
Net income per Series C shares	\$	0.34	\$	2.24	\$	0.12
Net income per Series D shares	\$	0.35	\$	2.58	\$	0.48
Net income per Series E shares	\$	1.06	\$	5.04	\$	0.31
Net income per Series F shares	\$		\$	540.89	\$	3.82

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

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16. NET INCOME PER SHARE - continued

Notes:

(1) The Class A and Class B common shares enjoy the same dividend participating right, therefore earnings per share of each class was not separately presented.

(2) The calculation of the weighted average number of common shares for the purpose of diluted net income (loss) per share has considered the effect of certain potentially dilutive securities.

The weighted average common shares outstanding used in computing basic and diluted net income per common share was adjusted retroactively for all periods presented to reflect the stock dividend of 251,079 Class A common shares distributed to shareholders in October 2010.

For the year ended March 31, 2012, an incremental weighted average number of 169,065 common shares from the assumed exercise of share options using the treasury stock method were included. 1,391,044, 1,059,735, 2,071,140, 6,091,920 and 4,289,457 common shares resulting from the assumed conversion of the preferred shares Series A shares, Series B shares, Series C shares, Series D shares, and Series E shares were excluded as they were anti-dilutive as their effect was anti-dilutive.

For the year ended March 31, 2013, 1,386,984, 1,054,620, 2,069,410, 6,088,557, 4,289,457, 63,763 and 355,410 common shares resulting from the assumed conversion of the Series A shares, Series B shares, Series C shares, Series D shares, Series E shares, Series F shares and options, respectively, were excluded as their effect was anti-dilutive.

For the year ended March 31, 2014, 1,094,668, 686,368, 1,944,954, 5,717,326, 4,289,457, 6,075,702 and 988,507 common shares resulting from the assumed conversion of the Series A shares, Series B shares, Series C shares, Series D shares, Series E shares, Series F shares and options, respectively, were excluded as their effect was anti-dilutive.

17. SHARE-BASED COMPENSATION

The Company's Board of Directors has approved and the Company has granted various tranches of options to its management and consultants as follows:

From 2007 to 2010, the Company granted 240,000 share options to its management with various exercise prices per share with different service period from 3 to 4 years.

From 2004 to 2011, the Company granted 302,855 options with various exercise prices per share to its executives and consultants, which can be exercised only when the Company's common stocks become publicly traded or the Company is acquired by other parties (Company Sale).

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

17. SHARE-BASED COMPENSATION - continued

On June 8, 2011, the Company granted 41,843 options with exercise prices of \$ 0.01 per share to its management, which can be exercised only when the Company's common stocks become public traded or upon a liquidation of the Company.

On February 17, 2012, the Company modified the 60,000 options granted to one of its employees on December 31, 2010 with exercise price of \$ 5.13 per share for 80,000 options with the same exercise price which are fully vest but can be exercised only when all of the following conditions are met:

- (1) The Company's common stocks become public traded or a Company Sale occurs;
- (2) The former employee should not engage with any entity or business of healthcare management and consulting business in the PRC (the "Competitive Business") in the next two years.
- (3) The former employee should not disclose any confidential information to third parties without authorization.

On March 18, 2013, the Company granted 330,000 options with exercise price of \$5.13 per share to certain directors and employees, which can be exercised immediately upon the issuance of the options. The Group recorded share-based compensation expenses of \$2,273 during the years ended March 31, 2013.

On March 18, 2013, The Company granted additional 440,000 options with exercise price of \$5.13 per share and 80,000 options with exercise price of \$6.00 to its certain directors and employees, which can be exercised only when the Company's common stocks become public traded or upon a liquidation of the Company.

On September 12, 2013, the Company granted 200,000 options with exercise price of \$6.00 to its director, which has a vesting period of 3.55 years and can be exercised only when the Company's common stocks become publicly traded or upon a Company Sale.

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On February 27, 2014, the Company granted additional 356,300 options with exercise price of \$5.13 per share and 72,700 options with exercise price of \$6.00 to its certain directors and employees, which have vesting periods of 1.35 and 1.91 years respectively and can be exercised only when the Company's common stocks become publicly traded or upon a Company Sale.

For these options which can only be exercised when the Company's common stock becomes public traded or a Company Sale, no compensation expenses would be recognized until the Company's common stocks become public traded or a Company Sale occurs, after which the Company will immediately recognize compensation cost of \$5,966 related to these options.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

17. SHARE-BASED COMPENSATION - continued

The following table summarizes information regarding options granted:

	For the years ended March 31,								
	2012	2013			2014				
Number of options	Weighted average exercise price per option	Weighted average fair value per option at grant date	Number of options	Weighted average exercise price per option	Weighted average fair value per option at grant date	Number of options	Weighted average exercise price per option	Weighted average fair value per option at grant date	
Outstanding on April 1 of year	497,855	\$ 2.34	\$ 3.25	434,698	\$ 2.02	\$ 3.94	1,284,698	\$ 4.13	\$ 6.08
Granted	61,843	1.67	10.88	850,000	5.21	7.17	629,000	5.51	15.61
Exercised	(75,000)	1.80	1.59						
Forfeited	(50,000)	5.13	9.20				(25,000)	6.00	7.13
Outstanding on March 31 year	434,698	\$ 2.02	\$ 3.94	1,284,698	\$ 4.13	\$ 6.08	1,888,698	\$ 4.56	\$ 9.24

There were 390,000 vested options, and 1,498,698 options expected to vest as of March 31, 2014. For options expected to vest, the weighted-average exercise price is \$4.42 and aggregate intrinsic value is \$34,355 as of March 31, 2014.

Total intrinsic value of options exercised were \$458, nil and nil for the years ended March 31, 2012, 2013, 2014, respectively.

The following table summarizes information with respect to share options outstanding as of March 31, 2014:

Number	Option outstanding			Aggregate intrinsic values as of March 31,	Number	Option exercisable	
	Weighted average remaining contractual	Weighted average Exercise price per				Weighted average Exercise price per	Aggregate intrinsic values as of March 31,

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Range of exercise price	outstanding	life in years	option	2014	exercisable	option	2014
\$ 0.01	221,843	1.13	\$ 0.01	\$ 6,063		\$	\$
\$ 1.00-\$2.00	62,855	2.94	\$ 1.68	1,613		\$	
\$ 5.13	1,276,300	8.88	\$ 5.13	28,348	390,000	\$ 5.13	8,662
\$ 6.00	327,700	9.48	\$ 6.00	6,993		\$	
	1,888,698			\$ 43,017	390,000		\$ 8,662

The fair value of each option granted was estimated on the date of grant using the binomial tree pricing model with the following assumptions used for grants during the applicable periods:

	Risk-free interest rate of return	Contractual term	Volatility	Dividend yield	Exercise price
December 31, 2010	4.67%	10 years	40.90%		5.13
June 8, 2011	1.11%	2.39 years	42.00%		0.01
February 17, 2012	2.99%	10 years	41.00%		5.13
March 18, 2013	2.15%	10 years	40.00%		5.13~6.00
September 12, 2013	3.22%	10 years	38.20%		6.00
February 27, 2014	3.24%	10 years	38.09%		5.13~6.00

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

17. SHARE-BASED COMPENSATION - continued

(1) *Risk-free interest rate*

Risk-free interest rate was estimated based on the yield to maturity of China international government bonds with a maturity period close to the expected term of the options.

(2) *Contractual term*

The Company used the original contractual term.

(3) *Volatility*

The volatility of the underlying common shares during the life of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

(4) *Dividend yield*

The dividend yield was estimated by the Group based on its expected dividend policy over the expected term of the options.

(5) *Exercise price*

The exercise price of the options was determined by the Group's board of directors.

(6) *Fair value of underlying common shares*

The estimated fair value of the common shares underlying the options as of the respective grant dates was determined based on a retrospective valuation, which used management's best estimate for projected cash flows as of each valuation date.

The Group recorded share-based compensation of \$216, \$2,273 and \$930 during the years ended March 31, 2012, 2013 and 2014, respectively, based on the fair value on the grant dates over the requisite service period of award according to the vesting schedule for employee share option.

As of March 31, 2014, total unrecognized compensation expense relating to unvested share options was \$7,383, which will be recognized over 3 years. The weighted-average remaining contractual term of options outstanding is 7.88 years.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

18. FAIR VALUE MEASUREMENTS

(a) *Measured on recurring basis*

Foreign currency forward contracts

The Group purchased foreign currency forward contracts to protect against the adverse effect that exchange rate fluctuation may have on foreign currency denominated sales activities. Foreign currency forward contracts are marked to market based on the prevailing forward exchange rate quoted by the contracted bank (Level 2 inputs). Assets and liabilities resulted from foreign currency forward contracts are recorded at its fair value.

As of March 31, 2013 and 2014, the fair value of foreign currency forward contracts, which amounted to nil and \$57, respectively, is recorded in prepaid expenses and other current assets. During the year ended on March 31, 2014, gains on the foreign currency forward contracts are recognized in the consolidated statements of operations.

Details of the outstanding foreign currency forward contracts as of March 31, 2013 and 2014 were as follows:

	2013	As of March 31,	2014
Settlement currency in:			
U.S. dollar of entity with functional currency in RMB			
Notional contract amount (U.S. dollar)	\$	\$	6,377

(b) *Measured at fair value on a non-recurring basis*

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The Group measured the fair value of the purchased intangible assets using the cost, income approach excess earnings and with & without valuation methods. These acquired intangible assets are considered Level 3 assets and liabilities because the Group used unobservable inputs, such as forecasted financial performance of the acquired business and discount rates, to determine the fair value of these purchased assets and liabilities.

The fair value was determined using models with significant unobservable inputs, Level 3 inputs, primarily the discounted future cash flow.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

18. FAIR VALUE MEASUREMENTS - continued

(b) Measured at fair value on a non-recurring basis - continued

The fair value measurements of the intangible assets encompass the following significant unobservable inputs:

	Range
Discount rate	20.5%-22%
Timing of cash flows	0.4-10 years

The Group measured the goodwill and intangible assets at fair value on a nonrecurring basis when it is annually evaluated or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value as a result of the impairment assessments. The Group did not recognize any impairment loss related to goodwill and acquired intangible assets for the year ended March 31, 2013 and 2014. The fair value was determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate.

19. RELATED PARTY BALANCES AND TRANSACTIONS

Amounts due from related parties of the Group:

	2013	As of March 31,		2014
Amounts due from related parties - current:				
Amounts due from				
Shanghai Huajian Clinic Ltd. (1)	\$		\$	1,287
Amounts due from shareholder		483		
	\$	483	\$	1,287

Amounts due to related parties of the Group:

	As of March 31,	
	2013	2014
Amounts due to related parties - current:		
Amounts due to a former non-controlling interest holder(2)	\$ 12,379	\$ 8,049
	\$ 12,379	\$ 8,049

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

19. RELATED PARTY BALANCES AND TRANSACTIONS- continued

(1) Amount represents loan provided by the Group to its equity method investee Shanghai Huajian Clinic Ltd. for daily operating use and the loan is schedule to be repaid in September 2014.

(2) On August 1, 2011, iKang Holding signed an agreement with the non-controlling interest holder of iKang Shanghai Xikang Road to purchase the remaining 35% of the equity interest in iKang Shanghai Xikang Road held by the non-controlling interest holders, with consideration of \$15,894. The transaction was closed on December 31, 2011. The group paid first installment of \$1,589 in August 2011 within five days after the agreement was signed. The second installment of \$1,589 was paid in February 2012. In December 2013, \$3,941 was repaid and in March 2014, \$991 was paid by the Group for individual income tax on behalf of the former non-controlling interest holder. The remaining balance was settled in June 2014.

The amounts due to non-controlling interest holder represents amortized cost of the principal amount.

The group recognized \$155, \$629 and \$504 imputed interest expense for the years ended March 31, 2012, 2013 and 2014, respectively. The effective interest rate of the amount due from non-controlling interest holder is 5.5%.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

20. NONCONTROLLING INTEREST

	iKang Zhejiang BVI	iKang Shanghai Xikang Road	iKang Shanghai Gubei	iKang Shanghai Lujiazui	Fujian iKang	Shenzhen Hospital Management	Shanghai Jianwei Management	Beijing Jiandatong	iKang MediFast Changzhou	Total
Balance at April 1, 2011	\$ (383)	\$ 1,516	\$ 414	\$ 254	\$	\$ (232)	\$	\$	\$	\$ 1,569
Change in effective ownership of iKang Zhejiang BVI	95									95
Capital contribution of non-controlling interest holder of iKang Zhejiang BVI	164									164
Addition of non-controlling interest in connection with establishment of Fujian iKang					305					305
Dividend distribution to non-controlling interest holder of iKang Shanghai Xikang Road		(420)								(420)
Share of profit (loss)	164	414	53	29	(107)	137				690
Purchase of non-controlling interest		(1,564)		(176)		29				(1,711)
Other comprehensive income	(65)	54	17	8	10	(8)				16
Balance at March 31, 2012	(25)		484	115	208	(74)				708
Share of profit	59		146	(1)	39	95				338
Other comprehensive income	(30)		9	2	3					(16)
Balance at March 31, 2013	4		639	116	250	21				1,030
Addition of non-controlling interest in connection with establishment of Beijing Jiandatong							82			82
Addition of non-controlling interest in connection with acquisition of Shanghai							172			172

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iKang Jianwei Health Management Co., Ltd.											
Addition of non-controlling interest in connection with acquisition of MediFast								1,690		1,690	
Addition of non-controlling interest in connection with establishment of iKang Changzhou									732	732	
Dividend distribution to non-controlling interest holder of Shanghai Wangzu Guobin Medical Center Co., Ltd.			(44)								(44)
Share of profit (loss)	104		236	25	143	33	(9)	(36)	48	(225)	319
Purchase of non-controlling interest				(142)							(142)
Other comprehensive income	(2)		(7)	1	(4)	(1)	(2)	(1)	(1)	(4)	(21)
Balance at March 31, 2014	\$ 106	\$	\$ 824	\$	\$ 389	\$ 53	\$ 161	\$ 45	\$ 1,737	\$ 503	\$ 3,818

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

21. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has one operating segment.

Components of net revenues are presented in the following table:

	2012	Years ended March 31,		2014
		2013		
Medical examinations	\$ 78,997	\$ 116,449	\$ 173,903	
Disease screening	5,162	9,240	15,017	
Other services	9,554	8,182	13,384	
Total	\$ 93,713	\$ 133,871	\$ 202,304	

Substantially all of the Company's revenues for the years ended March 31, 2012, 2013 and 2014 were generated from the PRC entities.

Substantially all of long-lived assets of the Group are located in the PRC as of March 31, 2012, 2013 and 2014.

22. COMMITMENTS AND CONTINGENCIESCommitments

The Group leases its clinics, hospitals and offices under non-cancelable operating lease agreements. These leases expire through 2025 and are renewable upon negotiation. Rental expenses under operating leases for the year ended March 31, 2012, 2013 and 2014 were \$11,051, \$16,436 and \$28,129, respectively.

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Future minimum lease payments under such leases as of March 31, 2014 were as follows:

2015	\$	27,870
2016		25,397
2017		23,450
2018		21,131
2019		16,072
After 2019		34,608
	\$	148,528

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

22. COMMITMENTS AND CONTINGENCIES - continued

Contingent liabilities

Pursuant to PRC individual income tax laws, when a corporation purchases equity interest from individuals, the individuals are obligated to pay individual income tax based on 20% of the capital gain from the transaction. The Group has purchased equity interests of certain entities from individual sellers. There is a possibility that if individual sellers fail to meet their income tax obligations, the tax authority may require the Group to pay the taxes for the sellers. Based on the information currently available, the Group was unable to make a reasonable estimate of the related liability due to the uncertainty related to the outcome and amount of payment and relating penalty and interest. Accordingly, the Company did not accrue any provision for this contingency as of March 31, 2014.

The Group is subject to governmental supervision and regulations by the relevant PRC regulatory authorities including the Ministry of Health, the Ministry of Industry and Information Technology, and other relevant government authorities. Each of the Group's medical centers is required to obtain a business license, a medical institution establishment approval, a medical institution practicing license and a radiation-related diagnosis and treatment license. If the Group fails to obtain such licenses or to amend the medical institution practicing licenses for the forgoing medical centers or other competent PRC regulatory authorities consider that the Group is operating the relevant businesses in an illegal manner, the Group may be ordered to shut down the relevant medical centers or cease the relevant services or suffer fines or penalties.

23. EMPLOYEE BENEFIT PLAN

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Group accrues for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were \$3,365, \$4,908 and \$7,249 for the years ended March 31, 2012, 2013 and 2014, respectively.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

24. STATUTORY RESERVE AND RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Group's subsidiaries and VIE entities located in the PRC, being foreign invested enterprises established in the PRC, are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of our subsidiaries, our affiliated PRC entities and their respective subsidiaries. The Group's subsidiaries and VIE entities are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital. As of March 31, 2014, none of the Group's PRC subsidiaries and VIE entities had a general reserve that reached the 50% of their registered capital threshold except iKang Nanjing Gulou, therefore they will continue to allocate at least 10% of their after tax profits to the general reserve fund.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the board of directors of each of the Group's subsidiaries.

The appropriation to these reserves by the Group's PRC subsidiaries was \$470, \$1,296 and \$2,738 for the years ended March 31, 2012, 2013 and 2014, respectively.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserves of the Group's PRC subsidiaries and VIE entities. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and VIE entities in the Group not available for distribution was \$103,355 as of March 31, 2014.

As a result of the above restrictions, parent-only financials are presented in Schedule I.

IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

25. SUBSEQUENT EVENTS

On April 9, 2014, the Company completed its IPO in NASDAQ by offering 10,904,846 American Depositary Shares (ADS), representing 5,452,423 Class A Common Shares, and received net proceeds of \$87,900. On the same date, Best Investment Corporation, a limited liability company incorporated in the PRC, which is a wholly-owned subsidiary of CIC International Co., Ltd., purchased from the Company 1,428,571 common shares for a total purchase price of \$40,000 in the concurrent private placement. Net proceeds to the Company were \$37,200. On May 9, 2014, the Company issued an additional 1,029,112 ADS, representing 514,556 Class A Common Shares to the investment bankers for exercising the green shoe option at price of \$14.00 per ADS and received net proceeds of \$13,400.

In May and June 2014, the Group entered into two share purchase agreements to acquire 37% and 30% of equity interest of Shanghai Huajian Clinic Ltd. (Huajian) from Shanghai GaoTong Supporting Services Management Ltd. and Shanghai Huajian Investment Management Ltd., for cash considerations are \$7,121 and \$5,373, respectively. Besides cash considerations, an option award arrangement agreement with the ex-shareholder, in connection with her continuous employment with Huajian following the Company's acquisitions of remaining 30% of equity interests in Huajian. Pursuant to this option award arrangement agreement, the Company will grant an option to purchase its 300,000 Class A common shares when the Company acquires 63% equity interest of Huajian, including 33% equity interest from this shareholder and a 30% equity interest from another shareholder. The exercise price for the option will be US\$16.18 per share. The acquisition was closed in July 2014. The Group is currently undertaking the purchase price allocation of the acquisition with the assistance of a third party appraiser.

The Group acquired the above businesses for the purpose of expanding its medical examination related services in multiple cities and is in the process of assessing the purchase price allocation of the above acquisitions with the assistance of an independent valuation firm.

On April 9, 2014, iKang Beijing Ritan and iKang Beijing Xuanwumen borrowed short term loans of \$657 and \$692 with Bank of Beijing, respectively according to the framework agreement signed in March 2014. The annual interest rate is the benchmark interest rate announced by the People's Bank of China plus 15% of the benchmark interest rate. The loan was guaranteed by iKang Online and iKang Holding.

In May 2014, iKang Holding signed two one-year credit loan agreement with amount \$1,234 and \$4,275; in June, 2014 signed a one-year loan with amount \$1,432 with China Merchants Bank, to meet both its equipment capital needs and temporary working capital needs and the property of the Group. The annual interest rate was equal to the benchmark interest rate announced by the People's Bank of China plus 20% of the benchmark interest rate.

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On May 5, 2014, iKang Online borrowed two one-year loan of \$2,252 and \$2,245, respectively with BEA, to meet its equipment capital needs and temporary working capital needs of the Group. The annual interest rate was equal to the benchmark interest rate announced by the People's Bank of China plus 10% of the benchmark interest rate. The loan was collateralized by restricted cash.

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IKANG HEALTHCARE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED MARCH 31, 2012, 2013 AND 2014

(In U.S. dollars in thousands, except share data)

25. SUBSEQUENT EVENTS - continued

In June 2014, iKang Online borrowed a one-year loan of \$14,523 with Xiamen International Bank, to repay the loans from BEA which was due in June 2014 and paid remaining balance of purchase 35% of equity interest in iKang Shanghai Xikang Road. The loan was collateralized by restricted cash.

IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED BALANCE SHEETS

(In thousands of U.S. dollars, except share and per share data and unless otherwise stated)

	Year ended March 31,	
	2013	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,290	\$ 13,937
Amounts due from related parties	9,780	27,622
Prepaid expenses and other current assets		334
Total current assets	57,070	41,893
Property and equipment, net	1	1
Investment in subsidiaries and VIE entities	40,908	99,584
TOTAL ASSETS	\$ 97,979	\$ 141,478
LIABILITIES, MEZZANINE EQUITY AND EQUITY (DEFICIT):		
Current liabilities:		
Convertible loan	2,000	
Accrued expenses and other current liabilities	5,180	2,767
Amount due to related companies	1,016	1,151
Total current liabilities	8,196	3,918
Mezzanine Equity:		
Series A convertible redeemable participating preferred shares (\$0.01 par value; 1,391,044 and 1,094,668 shares authorized as of March 31, 2013 and 2014, respectively, 1,094,668 shares issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$1,970 as of March 31, 2013 and 2014)	\$ 6,496	\$ 6,496
Series B convertible redeemable participating preferred shares (\$0.01 par value; 1,059,735 and 686,368 shares authorized as of March 31, 2013 and 2014, respectively, 686,368 shares issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$2,162 as of March 31, 2013 and 2014)	6,512	6,512
Series C1 convertible redeemable participating preferred shares (\$0.01 par value; 794,250 shares authorized, issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$1,893 as of March 31, 2013 and 2014)	5,700	5,700
Series C2 convertible redeemable participating preferred shares (\$0.01 par value; 252,572 and 126,286 shares authorized as of March 31, 2013 and 2014, respectively, 126,286 shares issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$568 as of March 31, 2013 and 2014)	1,709	1,709
Series C3 convertible redeemable participating preferred shares (\$0.01 par value; 1,024,318 shares authorized, issued and outstanding as of March 31, 2013 and 2014, liquidation value of and \$1,382 as of March 31, 2013 and 2014)	4,157	4,157
Series D1 convertible redeemable participating preferred shares (\$0.01 par value; 3,655,151 and 3,488,864 shares authorized as of March 31, 2013 and 2014, respectively, 3,538,864 and 3,488,864 shares issued and outstanding as of March 31, 2013 and 2014, respectively, liquidation value of \$10,227 and \$10,083 as of March 31, 2013 and 2014, respectively)	30,176	29,750

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Series D2 convertible redeemable participating preferred shares (\$0.01 par value; 2,436,769 and 2,072,624 shares authorized as of March 31, 2013 and 2014, respectively, 2,307,536 and 2,072,624 shares issued and outstanding as of March 31, 2013 and 2014, respectively, liquidation value of \$3,115 and \$2,798 as of March 31, 2013 and 2014, respectively)	12,356	11,300
Series E convertible redeemable participating preferred shares (\$0.01 par value; 4,289,457 shares authorized, issued and outstanding as of March 31, 2013 and 2014, liquidation value of \$22,056 as of March 31, 2013 and 2014)	54,098	54,098
Series F convertible redeemable participating preferred shares (\$0.01 par value; 7,500,000 and 7,204,680 shares authorized as of March 31, 2013 and 2014, respectively, 4,654,697 and 7,204,680 shares issued and outstanding as of March 31, 2013 and 2014 respectively, liquidation value of \$60,000 and \$93,639 as of March 31, 2013 and 2014, respectively)	92,774	144,795

IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

CONDENSED BALANCE SHEETS

(In thousands of U.S. dollars, except share and per share data and unless otherwise stated)

	Year ended March 31,	
	2013	2014
Equity:		
Class A common shares (\$0.01 par value; 36,026,704 and 37,648,485 shares authorized as of March 31, 2013 and 2014, respectively, 4,911,245 and 4,599,673 issued and outstanding as of March 31, 2013 and 2014, respectively)	\$ 49	\$ 45
Class B common shares (\$0.01 par value; 1,570,000 shares authorized, issued and outstanding as of March 31, 2013 and 2014, respectively)	16	16
Additional paid-in capital	4,341	1,342
Accumulated deficit	(133,123)	(132,124)
Accumulated other comprehensive income	4,522	3,764
Total iKang Healthcare Group, Inc.'s deficit	(124,195)	(126,957)
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 97,979	\$ 141,478

IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

CONDENSED STATEMENTS OF OPERATIONS

(In thousands of U.S. dollars, except share and per share data and unless otherwise stated)

	2012	Year ended March 31		2014
		2013		
Operating expenses:				
Selling and marketing	\$	6	\$	\$
General and administrative		668	2,849	2,457
Total operating expenses		674	2,849	2,457
Loss from operations		(674)	(2,849)	(2,457)
Interest income				11
Interest expense			(169)	(18)
Equity in earnings of subsidiaries and VIE entities		10,376	15,129	24,071
Income before provision for income taxes		9,702	12,111	21,607
Net income	\$	9,702	\$	12,111
			\$	21,607

IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

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

	2012	For the year ended March 31,		2014
		2013		
Net income	\$ 9,702	\$ 12,111	\$ 21,607	
Other comprehensive income:				
Other comprehensive income, foreign currency translation adjustment	\$ 1,525	\$ 584	\$ (758)	
Comprehensive income attributable iKang Healthcare Group, Inc.	\$ 11,227	\$ 12,695	\$ 20,849	

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IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

CONDENSED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT)

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

	Common					Accumulated other		Total
	Comprehensive	Amount	Additional	Accumulated	comprehensive	income		shareholders
	Shares		paid-in capital	deficit				equity/(deficit)
Balance at April 1, 2011	6,476,645	\$ 65	\$ 16,103	\$ (66,826)	\$ 2,413			\$ (48,245)
Share-based compensation			216					216
Exercise of share options	75,000	1	135					136
Exercise of share option to shareholders	134,845	1	1,762	(1,492)				271
Change in effective ownership of iKang Zhejiang BVI			(95)					(95)
Purchase of non-controlling interest of iKang Shanghai Lujiazui			(15)					(15)
Purchase of non-controlling interest of iKang Shanghai Xikang Road			(13,157)					(13,157)
Purchase of non-controlling interest of Shenzhen Hospital Management			(238)					(238)
Deemed dividend on convertible redeemable preferred shares - accretion of redemption premium					(2,312)			(2,312)
Exercise of share options								
Net income				9,702				9,702
Foreign currency translation adjustment						1,525		1,525
Balance at March 31, 2012	6,686,490	\$ 67	\$ 4,711	\$ (60,928)	\$ 3,938			\$ (52,212)
Share-based compensation			2,273					2,273
Redesignation to Series F Series F convertible redeemable participating preferred shares	(205,245)	(2)	(2,643)					(2,645)
Deemed dividend on convertible redeemable preferred shares - accretion of redemption premium					(84,306)			(84,306)
Net income				12,111				12,111
Foreign currency translation adjustment						584		584
Balance at March 31, 2013	6,481,245	\$ 65	\$ 4,341	\$ (133,123)	\$ 4,522			\$ (124,195)
Share-based compensation			930					930
iKang Healthcare Group, Inc. one common share of US\$0.01 entered into a share swap agreement	1							
Redesignation to Series F Series F convertible redeemable participating preferred shares	(311,572)	(4)	(3,745)					(3,749)
					(172)			(172)

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Addition of non-controlling interest in connection with acquisition of Shanghai iKang Jianwei Health Management Co., Ltd.											
Purchase of non-controlling interest of Shanghai iKang Guobin Blue Cross Clinic, Co. Ltd.						(184)			(184)		
Deemed dividend on convertible redeemable preferred shares - accretion of redemption premium						(20,436)			(20,436)		
Net income						21,607			21,607		
Foreign currency translation adjustment								(758)	(758)		
Balance at March 31, 2014	6,169,674	\$	61	\$	1,342	\$	(132,124)	\$	3,764	\$	(126,957)

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IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION - SCHEDULE 1

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

CONDENSED STATEMENTS OF CASH FLOWS

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

	For the year ended March 31,		
	2012	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,702	\$ 12,111	\$ 21,607
Adjustments to reconcile net income to net cash provided by operating activities:			
Investment income from subsidiaries	(10,376)	(15,129)	(24,071)
Stock-based compensation	216	2,273	930
Changes in assets and liabilities:			
Prepaid expenses and other current assets	(980)	2,754	(316)
Amount due from related party	1,576	(1,502)	(17,732)
Accrued expenses and other current liabilities	(108)	(297)	(2,409)
Amount due to related parties	(564)		
Net cash (used in) generated from operating activities	(534)	210	(21,991)
CASH FLOW FROM FINANCING ACTIVITIES:			
Loan provided to a related party			(3,000)
Repayment of loan provided to a related party			3,000
Payment for business acquisitions			(31,710)
Net cash (used in) generated from investing activities			(31,710)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible redeemable preferred shares		45,000	
Proceeds from convertible loan		2,000	
Repayment of convertible loan			(2,000)
Proceeds from exercise of share options	135		
Proceeds from exercise of share option to shareholders	269		
Proceeds from issuance of convertible redeemable preferred shares			25,181
Proceeds from redesignation of Common A			669
Proceeds from redesignation of convertible redeemable preferred shares			612
Payment for convertible preferred shares transaction professional fees			(2,847)
Payment for business acquisitions			(1,267)
Net cash (used in) provided by financing activities	404	47,000	20,348
Effect of exchange rate changes			
Net (decrease)/ increase in cash	(130)	47,210	(33,353)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
	210	80	47,290
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 80	\$ 47,290	\$ 13,937

IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS FOR PREPARATION

The condensed financial information of the Parent Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statement except that the Parent Company used the equity method to account for investments in its subsidiaries, VIE entities.

The condensed financial information is provided since the restricted net assets of the Group's subsidiaries VIE entities were over the 25% of the consolidated net assets of the Group as of March 31, 2014.

2. INVESTMENTS IN SUBSIDIARIES

The Parent Company and its subsidiaries, VIE entities were included in the consolidated financial statements where inter-company balances and transactions were eliminated upon consolidation. For purpose of the Parent Company's stand-alone financial statements, its investments in subsidiaries, VIE entities were reported using the equity method of accounting. The Parent Company's share of income (loss) from its subsidiaries, VIE entities were reported as share of income (loss) of subsidiaries and subsidiaries entities in the accompanying parent company financial statements.

For the purpose of the Parent Company's stand-alone financial information, its investments in subsidiaries, VIEs and the VIEs' subsidiaries are reported using the equity method of accounting. The Parent Company's share of income (loss) from its VIEs and the VIEs' subsidiaries were reported as share of income (loss) of subsidiaries and VIEs in the accompanying parent company financial information.

3. CONVERTIBLE LOAN

In May 2012, the Company signed a convertible loan agreement with amount of \$2,000 with an unrelated third party, with annual interest rate of 8% and the maturity date of December 31, 2012. On or prior to the maturity date, the lender has the option to extend the maturity date of the convertible loan to June 30, 2013, and also has the option but not the obligation to convert the loan into common shares of the Company. As of March 31, 2013, the loan has not been repaid or converted because no notice from the lender was received by the Company. In June 2013, the Group repaid the convertible loan and accrued interests amounted \$2,300 in full pursuant to an agreement with the lender.

IKANG HEALTHCARE GROUP, INC.

ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY - continued

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUBSEQUENT EVENTS

On April 8, 2014, the Company completed its IPO in NASDAQ by offering 10,904,846 American Depositary Shares (ADS), representing 5,452,423 Class A Common Shares, and received net proceeds of \$87,900. On the same date, Best Investment Corporation, a limited liability company incorporated in the PRC, which is a wholly-owned subsidiary of CIC International Co., Ltd., purchased from the Company 1,428,571 common shares for a total purchase price of \$40,000 in the concurrent private placement. Net proceeds to the Company were \$37,200. On May 9, 2014, the Company issued an additional 1,029,112 ADS, representing 514,556 Class A Common Shares to the investment bankers for exercising the green shoe option at price of \$14.00 per ADS and received net proceeds of \$13,400.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to its Annual Report on its behalf.

iKang Healthcare Group, Inc.

Name: /s/ Ligang Zhang
Ligang Zhang
Title: Chairman and Chief Executive Officer

Date: July 31, 2014
