

iKang Healthcare Group, Inc.
Form 20-F/A
December 04, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2017.

OR

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

For the transition period from to

OR

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

Date of event requiring this shell company report

Commission file number: 001- 36403

iKang Healthcare Group, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

B-6F, Shimao Tower

92A Jianguo Road

Chaoyang District, Beijing 100022

People's Republic of China

(Address of principal executive offices)

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92A Jianguo Road

Chaoyang District, Beijing 100022

People's Republic of China

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

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

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

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

None
(Title of Class)

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

33,916,439 Class A common shares and 805,100 Class C common shares as of March 31, 2017.

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

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

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

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

U.S. GAAP

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

Other

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

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

Yes No

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EXPLANATORY NOTE

This amendment No. 1 (this Amendment No. 1) to iKang Healthcare Group, Inc.'s annual report on Form 20-F for the fiscal year ended March 31, 2017 (the 2016 20-F) hereby amends Item 3.D. Risk Factors Risks Related to the ADSs and Item 4.A. History and Development of the Company Proposed Going-private Transaction of the 2016 20-F. The 2016 20-F was originally filed with the Securities and Exchange Commission on August 15, 2017 (the Original Report). This Amendment No. 1 is prepared for the purpose of providing additional clarifying information and certain updates to the Original Report in response to the comments from the staff of the U.S. Securities and Exchange Commission in connection with its review of the Original Report.

This Amendment No. 1 speaks as of the filing date of the Original Report. Other than as set forth above, this Amendment No. 1 on Form 20-F/A does not, and does not purport to, amend, update or restate any other information or disclosure included in the 2016 20-F or reflect any events that have occurred since March 31, 2017.

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PART I

Item 3. KEY INFORMATION

D. RISK FACTORS

Risks Related to Our Business

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

We derive a significant portion of our net revenues from our services to corporate accounts, which accounted for 83.5%, 83.6% and 83.6% of our net revenues in fiscal 2014, 2015 and 2016, respectively, and the growth in our net revenues has been primarily driven by the increase in the number of our corporate customers, which in turn increases the number of people who use our medical examination and disease screening services.

Revenues from our top ten corporate customers accounted for 17%, 14% and 15% of our net revenues in fiscal 2014, 2015 and 2016, respectively. Our dependence on these corporate customers increases their bargaining power and the need for us to maintain good relationships with them. If any corporate customer ceases to use our services for any reason or reduces the coverage or reimbursement levels for our services, employees covered under such corporate account may opt for or be forced to use other service providers. Our dependence on corporate accounts also exposes us to risks associated with the internal management, financial condition and creditworthiness of our corporate customers. To the extent that these corporate customers significantly reduce their demand for our services, switch to other preventive healthcare services providers including our competitors, or are unable to pay us in a timely manner, or at all, due to the deterioration of their financial position or other reasons, our business, financial condition, results of operations and prospects would be materially and adversely affected. In addition, we may have to offer volume-based discounts or more favorable credit terms to corporate customers. Any consolidation, restructuring, reorganization or other ownership change in these corporate customers may also have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

We have experienced steady revenue growth since the commencement of our operations. Our net revenues grew by 27.5% from US\$290.8 million in fiscal 2014 to US\$370.8 million in fiscal 2015, which in turn increased by 17.5% to US\$435.7 million in fiscal 2016. The number of our corporate customers increased approximately, in each case, from 24,200 to 30,900 and 36,400, and the number of our individual customers increased approximately, in each case, from 450,700 to 518,500 and 722,800 respectively, from fiscal 2014 to fiscal 2015 and fiscal 2016. While we expect our business to grow, we may not be able to maintain our historical growth rates in future periods. Revenue growth may slow or revenues may decline for any number of reasons, including our inability to attract and retain our corporate customers, decreased customer spending, increased competition, slowing growth of the overall preventive healthcare services market, the emergence of alternative business models, changes in government policies or general economic conditions. As the size of our customer base continues to increase, the growth rate of our customer base may decline over time. We may also lose customers for other reasons, such as failure to deliver satisfactory medical examination services. If our growth rates decline, investors' perception of our business and business prospects may be adversely affected.

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We intend to further strengthen our leading position in the private healthcare services market in China and transform ourselves into an integrated health management company. We will continue to diversify our service offerings by providing dental care services at our medical centers as well as high-quality outpatient services through collaborating with top doctors from public hospitals. We will also continue to expand our nationwide network coverage to penetrate further into second tier and third tier cities through selected acquisitions and cooperative relationships with various third party service providers, and further grow our customer base. In addition, we will further strengthen our disease screening product offering by the recent launch of iKangCare+ and iKangPartner+ strategies. iKangCare+ corporate client platform is able to generate self-served personalized medical examination service checkup menus for each employee of the corporate customer. With iKangPartners+ plan, we aim to provide our customers with high quality services through our strong partnerships with academic institutions, medical associations, leading providers in the field of in vitro diagnosis and genetic testing, and world-class vendors in medical equipment.

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

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

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

- unidentified issues not discovered in our due diligence process, such as hidden liabilities and legal contingencies;
- distraction of management's attention from normal operations during the acquisition and integration process;
- diversion of resources from our existing businesses;
- difficulties in recruiting employees for newly constructed centers or retaining key employees of the acquired business;

- failure to realize synergies expected from acquisitions or business partnerships;
- unexpected delays in completing any such constructions or acquisitions;
- the availability, terms and costs of any financing required to fund constructions or acquisitions or complete expansion plans;
- the costs of and difficulties in integrating acquired businesses, managing a larger and growing business and operating in new markets and geographic regions; and
- acquired business failure to perform as expected and impairment costs it may incur.

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

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

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

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

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

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

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

Between August 2015 and June 2016, we received certain proposals with respect to a going-private transaction. For more details, see Item 4.A. History and Development of the Company Proposed Going-private Transaction. There can be no assurance that any definitive offer will be made, that any agreement will be executed or that any proposed going-private transaction will be approved or consummated. The process of consummating the proposed going-private transaction or any other significant strategic transaction involving our company could cause disruptions in our business and divert our management's attention and other resources from day-to-day operations, which could have an adverse effect on our business, results of operations and financial condition. We have incurred, and will continue to incur, significant costs, expenses, and fees for professional services and other transaction costs in connection with the proposed going-private transaction. All the fees and costs will be payable by us even if the transaction is not completed. Additionally, current and prospective employees and members of management

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could become uncertain about their future roles with us in the event the going-private transaction is completed. This uncertainty could adversely affect our ability to retain and hire employees and members of management. In addition, the announcement and pendency of the proposed going-private transaction could have an adverse effect on our relationships with customers and third-party service providers.

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If the going-private transaction is not completed, you will not receive the proposed transaction consideration and the price of our ADSs could decline. Additionally, the ongoing business of our company could be adversely affected and, without realizing the benefits of having completed the going-private transaction, our company will be subject to a number of risks, including payment of certain costs relating to the going-private transaction, even if the going-private transaction is not completed, such as legal, financial advisor and printing fees.

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

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

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

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

- our ability to maintain a convenient, standardized and reliable customer experience as customer preferences evolve and as we expand our service categories and develop new business lines;
- our ability to increase brand awareness among existing and potential customers through various means of marketing and promotional activities;

- our ability to adopt new technologies or adapt our websites and systems to user requirements or emerging industry standards in order to maintain our customer experience; and
- our ability to effectively control the quality of our third-party service providers, and to monitor the service performance of such third- party service providers as we continue to expand our nationwide network.

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

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

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

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

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

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

PRC laws and regulations require us to pay several statutory social welfare benefits for our employees, including medical care insurance, occupational injury insurance, unemployment insurance, maternity insurance, pension benefits and housing fund contributions. We have not paid in full certain required insurance premiums and contribution for our employees in the past. Currently, in several medical centers, we may not be in full compliance with relevant requirements. Some of our subsidiaries have received requests from local social insurance regulatory authorities to make payments for insufficient social insurance contributions for some of their employees and we have made such payments in full upon such requests. The amount of outstanding payments relating to social insurance was approximately US\$3.7 million as of March 31, 2017. While we believe we have made adequate provision in our audited consolidated financial statements for any outstanding amounts that are not paid or withheld, our failure to make payments may be in violation of the applicable PRC laws and regulations and we may be subject to fines and penalties. According to the applicable PRC laws and regulations, employers failing to make any of these social welfare benefit payments may be ordered by the government to rectify the noncompliance and make the required payments, plus a late fee charge of up to 0.2% or 0.05%, as the case may be, of the amount overdue per day from the original due date, by a stipulated deadline after they receive written notice from the authorities. If the payment is not made by the stipulated deadline after the employer receives written notice from the authorities in the case of any of the insurance and pension benefit premia described above, the employer may be assessed by the relevant government authority for fines of up to three times the amount of any underreported obligation of the employer. An application may be made to the relevant government authority for deduction of the overdue amount from the employer's bank account or to a local court for compulsory enforcement of any of these payment obligations and an employee is entitled to compensation if the employer fails to make payments due for social welfare benefits. Late charges, penalties or legal or administrative proceedings to which we may be subject could materially and adversely affect our reputation, financial condition, results of operations and prospects.

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

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

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

The amount of our accounts receivable (net of allowance for doubtful accounts) increased from US\$59.7 million as of March 31, 2015 to US\$74.2 million as of March 31, 2016, and to US\$79.6 million as of March 31, 2017, representing 21.4%, 24.3% and 36.2% of total current assets and 12.0%, 9.2% and 10.9% of total assets as of March 31, 2015, 2016 and 2017, respectively. Moreover, accounts receivable (net of allowance for doubtful accounts) aged over six months have increased from US\$18.2 million, or 30.4% of total accounts receivable, as of March 31, 2015 to US\$26.7 million, or 36.0% of total accounts receivable (net of allowance for doubtful accounts) as of March 31, 2016, and to US\$25.5 million, or 32.1% of total accounts receivable (net of allowance for doubtful accounts) as of March 31, 2017. We have established a reserve for the portion of such accounts receivable that we estimate will not be collected on a timely basis. The specific reserve is based on historical trends and current relationships with our customers. Changes in the amount and age of our accounts receivable can result from a number of factors, including rapid growth or changes in our customer base, turnover in personnel, changes in payment policies or practices of customers, or changes in the financial health of the customers. Our reserve for uncollectible receivables has fluctuated in the past and will continue to fluctuate in the future. Changes in rates of collection, even if they are small in absolute terms, could require the company to increase its reserve for uncollectible receivables beyond its current level. If the business viability of certain of our customers deteriorates or our credit policies are ineffective in reducing our exposures to credit risk, additional increases in reserves for uncollectible accounts may be necessary, which could adversely affect our financial results.

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

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

all of the losses, our liquidity, financial condition and results of operations could be materially and adversely affected.

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

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

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

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

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

We did not maintain any medical malpractice insurance, business interruption insurance, general liability insurance or public liability insurance, and we maintained only limited property insurance for fiscal 2016.

We are subject to potential professional liability risks in the ordinary course of business including arising from the actions of our employees and potentially the actions of third-party service providers to whom we refer our customers. Because the number and incidence of legal actions alleging malpractice or related legal theories against doctors, hospitals and other healthcare providers in China is significantly lower, and the amount of damages awarded by PRC judicial authorities is also lower, in both cases as compared to those in the United States, we do not

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maintain any medical malpractice insurance and general liability insurance. However, the threat of such claims is increasing as people become more accustomed to initiating lawsuits at courts in China to obtain redress for health-related grievances.

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

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

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

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

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

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

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

Our ability to achieve profitability is affected by various factors, some of which are beyond our control. We currently lease all of the facilities in which we operate our self-owned medical centers, and the leasing costs associated with our healthcare services have historically accounted for a significant portion of our cost of revenues. In fiscal 2014, 2015 and 2016, the leasing costs comprised 18.7%, 18.4% and 19.4% of our cost of revenues, respectively. We expect our leasing costs to increase in an absolute term as we expand the number of medical centers that we operate and as landlords increase rental rates.

As of March 31, 2017, the leases on our 107 self-owned medical centers have various expiration dates ranging from 2017 to 2036. As these leases approach expiration, we may not be able to renew them on terms favorable to us, or at all. Landlords may also terminate leases prior to the expiration date upon the payment of a penalty which, in our judgment, makes it unlikely for the landlords to terminate these leases early. If we cannot successfully offset our increased leasing cost with an increase in net revenues, our gross margin, financial condition and results of operations could be materially and adversely affected.

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

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

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

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

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

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

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

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

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to, among other things, schedule and manage the provision of services to our customers, effectively manage accounting and financial functions and monitor our internal cost factors. If we experience a reduction in the performance, reliability or availability of our information systems, our operations and ability to produce timely and accurate reports could be adversely impacted. Our information systems and applications require continuous maintenance, upgrading and enhancement to meet operational needs. Moreover, the proposed expansion of facilities and acquisition

of new centers requires transitions to or from, and the integration of, various information systems. Upgrades, expansions of capabilities, and other potential system-wide improvements in information systems may require large capital expenditures. If we experience difficulties with the transition to or from information systems or are unable to properly implement, finance, maintain or expand our systems, we could suffer, among other things, from operational disruptions and a reduction in customer satisfaction, which could materially and adversely affect our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We regard our trademarks, service marks, domain names, software copyrights, trade secrets and similar intellectual property and proprietary information as critical to our competitiveness and success. We rely on the trademark, copyright and other intellectual property laws and confidentiality agreements with our employees, customers, third-party service providers and others to protect our proprietary rights. As of March 31, 2017, we had 270 registered trademarks. We own or possess the rights to 199 domain names that we use in connection with the operation of our business, and have copyrighted 18 software programs that we developed ourselves for managing our operations. Nevertheless, these afford only limited protection and it can be difficult and expensive to police unauthorized use of intellectual property that we own or license. We have taken, and will continue to take, a variety of actions to combat infringement of our intellectual property and other proprietary information. However, our legal actions may not always be successful. In 2012, we filed an arbitration proceeding against a third party company who operates a website under the domain name of www.aikang.com and use as trade name with the same Chinese characters as one of our PRC subsidiaries to provide medical knowledge, introduction of medical institutions and links to websites of medical examination centers. But our claim was dismissed by the arbitral tribunal, and the website www.aikang.com is still operated by such third-party company as of the date of this annual report. In January 2016, we filed a complaint with the People's Court of Chaoyang District of Beijing against a PRC company, a former employee of such company and certain other defendants with respect to the defendants' joint infringement of our trade secrets including customer information, prices, marketing strategies and other internal business information. The People's Court of Chaoyang District of Beijing is currently in the process of reviewing our claims and relevant evidence. In addition, in April 2016, we filed another complaint with the Shanghai Intellectual Property Court against that PRC company and certain other defendants with respect to the defendants' joint infringement of our copyright of medical examination software systems. The Shanghai Intellectual Property Court is currently in the process of reviewing our claims and relevant evidence. Infringement of our intellectual property or other proprietary information by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business.

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

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

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

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

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

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

- our ability to attract and retain our corporate clients and to expand into and further penetrate new markets;
- changes in pricing policies by us or our competitors;
- the amount of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure;
- the timing and market acceptance of new services introductions by us or our competitors; and
- changes in government policies or regulations, or their enforcement.

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

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

We granted share options and warrants to our employees and advisors. We are required to account for share based compensation expenses in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718, Compensation Stock Compensation, which generally requires a company to recognize, as an expense, the fair value of share options and other equity incentives to employees based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. As of March 31, 2017, there were 612,724 options and warrants outstanding which entitle their holders to purchase a total of 612,724 Class A common shares. As a result, we incurred share-based compensation expense of US\$9.2 million, US\$1.9 million and US\$1.9 million in fiscal 2014, 2015 and 2016, respectively. If we grant more options, restricted shares or other equity incentives, we could incur significant compensation charges and our results of operations could be adversely affected. See Item 5.A. Operating Results Critical Accounting Policies and Estimates and Note 2 to our consolidated financial statements for the years ended March 31, 2016 and 2017 included in this annual report for a more detailed presentation of accounting for our share-based compensation plans.

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

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

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Our management has concluded that our internal control over financial reporting was effective as of March 31, 2017. See Item 15. Controls and Procedures. Our independent registered public accounting firm has issued an attestation report as of March 31, 2017. See Item 15. Controls and Procedures Report of Independent Registered Public Accounting Firm. However, if we fail to maintain the effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to continue to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

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

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

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

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

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

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

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If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, and our business, financial condition and results of operations could be materially and adversely affected. We do not maintain key-man life insurance for any of our key personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, customers and key professionals and staff. Each of our employees who have access to sensitive and confidential information has also entered into a non-disclosure and confidentiality agreement with us. Although non-compete provisions are generally enforceable under PRC laws, PRC legal practice regarding the enforceability of such provisions is not as well-developed as in countries such as the United States. Thus, if we need to enforce our rights under the non-compete provisions, we cannot assure you that a PRC court would enforce such provisions.

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

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

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

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

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

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

Risks Related to Our Corporate Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Risks Related to Doing Business in China

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

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

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

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

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

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

In addition, the PRC legal system is based in part on government policies and certain internal rules, some of which are not published on a timely basis or at all and which may have a retroactive effect. As a result, we may not be aware of a violation of these policies and internal rules until

sometime after the violation. Also, any administrative or court proceedings may be protracted, resulting in substantial costs and diversion of resources and management attention if we seek to enforce our legal rights through administrative or judicial proceedings. Moreover, compared to more developed legal systems, the PRC administrative and judicial authorities have significantly wider discretion in interpreting and implementing statutory and contractual provisions. As a result, it may be more difficult to evaluate the outcomes of the administrative and judicial proceedings as well as the level of available legal protection we are entitled to. These uncertainties may impede our ability to enforce our contracts, which could in turn materially and adversely affect our business and operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

We are a holding company, and we may rely on dividends and other distributions on equity to be paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to

pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, as foreign-invested enterprises in the PRC, may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At its discretion, it may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund and a staff welfare and bonus fund. These enterprise expansion reserve and staff welfare and bonus funds are not distributable as cash dividends. As of March 31, 2017, except for iKang Beijing Xuanwumen, iKang Beijing Yayun, iKang Guangzhou Huanshi East/Tianghe, iKang Chengdu Waishuangnan, iKang Chengdu Hongzhaobi, iKang Chongqing and iKang Fuzhou Gulou, none of our PRC subsidiaries, our affiliated PRC entities and their respective subsidiaries had a statutory reserve fund that reached 50% of their respective registered capital. Therefore, our PRC subsidiaries, our affiliated PRC entities and their respective subsidiaries (except for iKang Beijing Xuanwumen, iKang Beijing Yayun, iKang Guangzhou Huanshi East/Tianghe, iKang Chengdu Waishuangnan, iKang Chengdu Hongzhaobi, iKang Chongqing, iKang Fuzhou Gulou, iKang Shanghai Xikang Road and iKang Shanghai Lujiazui) would continue to allocate at least 10% of their respective after-tax profits to the statutory reserve fund until the aggregate amount of such a fund reaches the 50% threshold.

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Our PRC subsidiaries do not have equity interests in the affiliated PRC entities. Our affiliated PRC entities may distribute their profits to us primarily by means of paying service and consulting fees or by other means permitted by law, which would be subject to additional PRC taxes and local levies generally at the combined rates of ranging from 5.60% to 5.65% or ranging from 6.72% to 6.78%, respectively, of the total fees paid by the affiliated PRC entities to our PRC subsidiaries. In addition, the PRC tax authorities could request that our affiliated PRC entities adjust their taxable income upward for PRC tax purposes if such authorities determined that the contractual arrangements between our PRC subsidiaries and affiliated PRC entities were not entered into based on arm's-length principles, which could materially and adversely affect our affiliated PRC entities' ability to distribute their profits to us. See **Risks Related to Our Corporate Structure**. The contractual arrangements with our affiliated PRC entities may be reviewed by the PRC tax authorities for transfer pricing adjustments, which could increase our overall tax liability. In addition, our PRC subsidiaries generally should audit their yearly financial statements according to PRC GAAP and pass resolutions for dividend distribution prior to paying dividend to us. Furthermore, dividends paid to us by our PRC subsidiaries are subject to the 10% withholding tax unless we are considered a PRC resident enterprise under the EIT Law and such dividends qualify as tax-exempt income. See **Our global income and the dividends that we may receive from our PRC subsidiaries may be subject to PRC taxes under the EIT Law, which may have a material adverse effect on our results of operations** and **Item 4.B. Business Overview**. **Government Regulations**. **Regulations Relating to Taxation**. **Enterprise Income Tax**.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC accounting standards and regulations, our PRC subsidiaries, our affiliated PRC entities and their respective subsidiaries are restricted from transferring a portion of their net assets to us. Amounts restricted include paid-in capital and the statutory reserves of our PRC subsidiaries, affiliated PRC entities and their respective subsidiaries. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and affiliated PRC entities not available for distribution was US\$246 million as of March 31, 2017.

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

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

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

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On August 29, 2008, SAFE promulgated the SAFE Circular 142, which provided that the registered capital of a foreign-invested company converted from foreign currencies may (i) only be used for purposes within the business scope approved by the applicable governmental authority and (ii) not be used for equity investments by the foreign-invested company within the PRC unless otherwise provided. Furthermore, SAFE promulgated the SAFE Circular 45, in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi converted from foreign currency to provide entrusted loans or repay inter-company loans. On March 30, 2015, SAFE promulgated the SAFE Circular 19, which has taken effective and replaced the SAFE Circular 142 since June 1, 2015. Under the SAFE Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises can be settled at the banks based on the actual operation needs of the enterprises subject to certain restrictions. The proportion of discretionary settlement of foreign exchange capital is temporarily determined as 100%. On June 9, 2016, SAFE promulgated the SAFE Circular 16 which restricts a foreign-invested enterprise from using Renminbi converted from foreign currency to provide loans to non-affiliated enterprises. However, the SAFE regulations and rules may still significantly limit our ability to transfer the net proceeds from our securities offering to our affiliated PRC entities or their respective subsidiaries through our PRC subsidiaries in China, which may adversely affect the business expansion of our affiliated PRC entities or their respective subsidiaries, and our affiliated PRC entities and their respective subsidiaries may not be able to convert the net proceeds from our initial public offering into Renminbi to invest in or acquire any other PRC companies, or establish other variable interest entities in the China. See Item 4.B. Business Overview Government Regulations Regulations Relating to Foreign Currency Exchange.

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

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

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

Under the EIT Law, and the Implementation Regulations to the PRC Enterprise Income Tax Law, or the EIT Law Implementation Regulations, both effective from January 1, 2008, an enterprise established outside of the PRC with its de facto management body within the PRC is considered to be a resident enterprise and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The EIT Law Implementation Regulations define the term de facto management body as a management body that exercises full or substantial control and management authority over the production, operation, personnel, accounts and assets of an enterprise. The State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore incorporated enterprise is located in China. On July 27,

2011, the SAT issued Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status and post-determination administration. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold tax on payments of PRC-sourced dividends, interest and royalties to the offshore incorporated PRC resident enterprise. On January 29, 2014, the SAT further issued Announcement on Determination of Resident Enterprises under De Facto Management Body Standard, or Bulletin 9, which delegates the determination of the status of offshore incorporated PRC resident enterprise to the provincial-level tax authorities. Bulletin 9 is applicable to the enterprise income tax filings for 2013 and onwards. See Item 4.B. Business Overview Government Regulations Regulations Relating to Taxation Enterprise Income Tax. Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC corporate groups and not those controlled by PRC individuals or non-PRC persons, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises.

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

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

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

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

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

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the SAT issued the Notice Concerning the Strengthening of Enterprise Income Tax Administration with Respect to Equity Transfers by Non-resident Enterprises, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively as of January 1, 2008. On February 3, 2015, the SAT issued Announcement on Several Issues regarding the Indirect Assets Transfer by Non-resident Enterprises, or Bulletin 7, which replaced certain provisions under Circular 698 and provided more detailed rules as to the tax administration over indirect transfers by non-resident enterprises. By promulgating and implementing these rules, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise and other taxable PRC assets by a non-PRC resident enterprise.

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

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

Bulletin 7 became effective as of February 3, 2015, although it has retroactive effect. There is little guidance and practical experience as to the retrospective application of Bulletin 7 and Circular 698, and it is possible that the PRC tax authorities would pursue our offshore shareholders to conduct a filing regarding our offshore restructuring transactions where non-resident investors were involved and would request our PRC subsidiary to assist in providing such disclosures. In addition, if our offshore subsidiaries are deemed to lack substance they could be disregarded by the PRC tax authorities. Some of our shareholders have made some share transfers in our company prior to our initial public offering and not made tax filings in accordance with Circular 698. As a result, we and such non-PRC resident shareholders may be at risk of being taxed under Circular 698 and Bulletin 7, and may be required to expend valuable resources to comply with Circular 698 and Bulletin 7 or to establish that we should not be taxed under Circular 698.

By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct and indirect transfer of equity interests in a PRC resident enterprise by a non-PRC resident enterprise. The PRC tax authorities have the discretion under Circular 59, Circular 698 and Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-PRC resident enterprise under the EIT Law and if the PRC tax authorities make adjustments under Circular 59, Circular 698 or

Bulletin 7, our income tax costs associated with such potential acquisitions will increase, which may have an adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

investors may be deprived of the benefits of PCAOB inspections.

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

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Risks Related to the ADSs

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

The trading prices of our ADSs have fluctuated since we first listed our ADSs. Since our ADSs became listed on the NASDAQ on April 9, 2014, the trading price of our ADSs has ranged from US\$11.73 to US\$22.65 per ADS, and the last reported trading price on August 11, 2017 was US\$13.83 per ADS. In particular, the trading price of our ADSs declined from US\$15.72 per ADS as of August 31, 2015 when we received the first proposal with respect to a going-private transaction from Mr. Lee Ligang Zhang to US\$13.83 per ADS as of August 11, 2017. At the time of Meinian's and Yunfeng Capital's respective proposals with respect to a going-private transaction, the last trading price of our ADSs was US\$16.77 per ADS as of November 27, 2015 and US\$21.12 per ADS as of June 6, 2016. The prices for our ADSs may continue to fluctuate and be subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- negative publicity, studies or reports;
- general economic, political or social conditions in China;
- fluctuations of exchange rates between Renminbi and U.S. dollar or other foreign currencies;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in the economic performance or market valuations of our centers;
- actual or threatened litigation arising from disputes with our corporate and individual customers;

- addition or departure of our executive officers and key research personnel;
- regulatory developments affecting us, our customers and our industry;
- release of lock-up or other transfer restrictions on our outstanding ADSs or common shares or sales of additional ADSs; and
- sales or perceived potential sales of additional ADSs or common shares.

In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes of our ADSs. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their initial public offerings may affect the attitudes of investors towards Chinese companies listed in the United States, which consequently may impact the trading price of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices, business practice, fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities.

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

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

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

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

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

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

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

We granted share options to our employees and advisors in 2004 to 2015. In February and April 2013 and March 2014, we established three Share Incentive Plans to help us recruit and retain key employees, directors and consultants by providing incentives through the granting of equity awards. Under those Share Incentive Plans, we may issue equity awards in the form of share options, restricted shares or share appreciation rights. The maximum aggregate number of shares that may be issued pursuant to all awards shall not exceed 3,074,000 Class A common shares, assuming full exercise of all awards that may be granted under these three share incentive plans. As of March 31, 2017, there were 612,724 options and warrants outstanding, which entitle their holders to purchase a total of 612,724 Class A common shares. The exercise of options we have granted would result in a reduction in the percentage of ownership of the existing holders of Class A common shares and of ADSs, and therefore could result in a dilution in the earnings per common share and per ADS. You may face difficulties in protecting your interests, and your ability to protect your rights through the United States federal courts may be limited, because we are incorporated under Cayman Islands

law.

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

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

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

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

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

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

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

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

As a result of the disparate voting power attached to these two classes of common shares and the concentration of ownership, as of June 30, 2017, Mr. Lee Ligang Zhang owned approximately 34.3% of the total voting power represented by our outstanding common shares and has substantial influence over our business. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A common shares and ADSs may view as beneficial.

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

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

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

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

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

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

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

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

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

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

- our board of directors has the authority, without approval by the shareholders, to issue any unissued shares and determine the terms and conditions of such shares, including preferred, deferred or other special rights or restrictions with respect to dividends, voting and return of capital;
- shareholder(s) who hold(s) more than one third of the voting rights of our company having requisitioned for an extraordinary general meeting at least 21 days previously, have the right to convene an extraordinary general meeting, and the agenda of such meeting will be set by the shareholder(s) who hold more than one third of the voting rights of our company who requested such meeting; and
- the amended and restated articles of association may be amended only by a resolution passed at a shareholders meeting by a majority of at least two-thirds of the votes cast.

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

You may have difficulties in enforcing judgments obtained against us.

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

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

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

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

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

or any value for them if it is unlawful or impracticable for us to make them available to you.

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

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

Based upon the nature of our business and estimates of the value of our assets, including goodwill, which are based, in part, on the market price of the ADSs, we believe that we were not a PFIC for our taxable year ended March 31, 2017. However, it is not entirely clear how the contractual arrangements between our wholly-owned subsidiaries, our affiliated PRC entities and the shareholders of our affiliated PRC entities will be treated for purposes of the PFIC rules. Because the treatment of the contractual arrangements is not entirely clear, because we hold and expect to continue to hold a substantial amount of cash and other passive assets, and because the determination of whether we are a PFIC will depend on the character of our income and assets and the value of our assets from time to time, which may be based in part on the market price of our ADSs, which is likely to fluctuate, we may be a PFIC for any taxable year. If we were a PFIC for any taxable year during which a U.S. person owned an ADS or a Class A common share, or the prior taxable year, certain adverse U.S. federal income tax consequences could apply to the U.S. person. See Item 10.E. Taxation U.S. Federal Income Tax Considerations Passive Foreign Investment Company Rules.

Item 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

In April 2007, Beijing iKang entered into a series of agreements with the shareholders of Shanghai Guobin Medical Holding Co., Ltd. which changed its name to iKang Healthcare Technology Group Co., Ltd. in November 2014, or iKang Holding, in connection with a business combination, and entered into a series of contractual arrangements with iKang Holding and iKang Holding's shareholders through which Beijing iKang gained effective control over iKang Holding. Since the transactions between Beijing iKang and iKang Holding in 2007 till March 31, 2017, in an effort to further expand our services coverage in China, we acquired or constructed 107 medical centers in China.

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

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

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

Our legal name is iKang Healthcare Group, Inc. (formerly known as China iKang Healthcare, Inc.) and our commercial name is iKang or iKang Group. We were incorporated on May 25, 2011 as a limited liability company in the Cayman Islands. In March 2014, iKang Guobin became the wholly owned subsidiary of our company through a share exchange through which we acquired all the issued and outstanding shares of iKang Guobin. In consideration for acquiring iKang Guobin's shares, we issued to each of the shareholders of iKang Guobin the same number of our shares in the same class of common shares or series of preferred shares, as the case may be, as such shareholder held in iKang Guobin. In this manner, the share ownership of our company immediately after the share exchange was identical to the share ownership of iKang Guobin immediately prior to the share exchange.

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

Our principal executive offices are located at B-6F Shima Tower, 92A Jianguo Road, Chaoyang District, Beijing 100022, China. Our telephone number at this address is +(8610) 5320-6688. Our registered office in the Cayman Islands is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

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

Proposed Going-private Transaction

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

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

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

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

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

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

The special committee of independent directors is continuing to consider and evaluate the going-private proposal from Yunfeng Capital. The special committee and Yunfeng Capital have exchanged numerous written and verbal communications regarding the proposed going-private transaction over the course of the last several months and the special committee is continuing to negotiate the potential terms of a going-private transaction with Yunfeng Capital. In addition, representatives of Yunfeng Capital are engaged in ongoing discussions with the special committee and our significant shareholders, whose support would be required for Yunfeng Capital to obtain the requisite shareholders' approval for any proposed going-private transaction involving our company, with respect to, among other matters, the potential terms of possible voting arrangements pursuant to which such significant shareholders would agree to vote their shares in favor of the proposed going-private transaction with Yunfeng Capital. However, no decisions have been made by the special committee with respect to any potential going-private transaction and there can be no assurance that the special committee and Yunfeng Capital will reach agreement regarding the terms of a potential going-private transaction or that any such transaction will be approved or consummated. There had been no prior or current dealings between Yunfeng Capital (and/or its co-founders) and any director of our company that do not relate to Yunfeng Capital's nonbinding proposal letter.

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

Major Equity Investments

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

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

operating these medical centers for a period of at least two years, the investment funds will transfer their interests in these medical centers to us at a price equal to their original costs with an annual return rate of 15%.

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PART III

Item 19. EXHIBITS

Exhibit Number	Description of Document
1.1	<u>Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.1	<u>Form of the Registrant's American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.2	<u>Specimen Certificate for Class A Common Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.3	<u>Form of Deposit Agreement among the Registrant, the Depository and all Holders and Beneficial Owners of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.4	<u>Shareholders' Agreement dated March 1, 2014 among the Registrant, its common shareholders, preferred shareholders and other parties (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1, as amended (File No. 333- 194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
2.5	<u>Amendment No.1 to Shareholders' Agreement dated March 12, 2014 among the Registrant, iKang Guobin Healthcare Group, Inc. and then existing shareholders of iKang Guobin Healthcare Group, Inc. (incorporated herein by reference to Exhibit 4.5 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.1	<u>Share Incentive Plan adopted as of February 2013 (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.2	<u>Share Incentive Plan adopted as of April 2013 (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.3	<u>Share Incentive Plan adopted as of March 2014 (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.4	<u>Form of Indemnification Agreement with the Registrant's Directors (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.5	<u>Form of Employment Agreement between the Registrant and Executive Officers of the Registrant (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
4.6	<u>Exclusive Business Cooperation Agreement between ShanghaiMed iKang, Inc. and Shanghai Guobin Medical Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014) dated April 27, 2007 (English translation) (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1, as amended (File No. 333- 194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.7*	<u>Agreement Extension Notice dated April 26, 2017 from ShanghaiMed iKang, Inc. to iKang Healthcare Technology Group Co., Ltd. to extend the expiration date of the Exclusive Business Cooperation Agreement for ten year to April 26, 2027 (English translation)</u>
4.8	<u>Equity Pledge Agreement among ShanghaiMed iKang, Inc., Boquan He, Lee Ligang Zhang and Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014) dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1, as amended (File No. 333- 194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>

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- 4.9 Exclusive Call Option Agreement among ShanghaiMed iKang, Inc., Boquan He, Lee Ligang Zhang and Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014) dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)
- 4.10 Power of Attorney executed by Boquan He in favor of ShanghaiMed iKang, Inc. dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)

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Exhibit Number	Description of Document
4.11	<u>Power of Attorney executed by Lee Ligang Zhang in favor of ShanghaiMed iKang, Inc. dated March 17, 2008 (English translation) (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.12	<u>Exclusive Business Cooperation Agreement between iKang Health Management (Zhejiang) Co., Ltd. and Hangzhou iKang Guobin Clinic Co., Ltd. dated January 12, 2011(English translation) (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.13	<u>Equity Pledge Agreement among iKang Health Management (Zhejiang) Co., Ltd., Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), Shanghai Yalong Daoyi Services Co., Ltd. and Hangzhou iKang Guobin Clinic Co., Ltd. dated January 12, 2011 (English translation) (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.14	<u>Exclusive Call Option Agreement among iKang Health Management (Zhejiang) Co., Ltd., Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), Shanghai Yalong Daoyi Services Co., Ltd., Hangzhou iKang Guobin Clinic Co., Ltd. and iKang Zhejiang, Inc. dated January 12, 2011 (English translation) (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.15	<u>Power of Attorney executed by Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), in favor of iKang Health Management (Zhejiang) Co., Ltd. dated January 12, 2011(English translation) (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.16	<u>Power of Attorney executed by Shanghai Yalong Daoyi services Co., Ltd. in favor of iKang Health Management (Zhejiang) Co., Ltd. dated January 12, 2011 (English translation) (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.17	<u>Equity Transfer Agreement between Boquan He and Shanghai iKang Guobin Holding Co., Ltd. (which was renamed as iKang Healthcare Technology Group Co., Ltd. in November 2014), dated August 1, 2011 (English translation) (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.18	<u>Spousal Consent Letter of Ms. Baoming Li, the spouse of Mr. Boquan He (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.19	<u>Spousal Consent Letter of Ms. Feiyan Huang, the spouse of Mr. Lee Ligang Zhang (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.20	<u>Exclusive Business Cooperation Agreement between ShanghaiMed iKang, Inc. and Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.21	<u>Equity Pledge Agreement among ShanghaiMed iKang, Inc., Hu Haiqing and Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.22	<u>Exclusive Call Option Agreement among ShanghaiMed iKang, Inc., Hu Haiqing and Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.26 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>

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Exhibit Number	Description of Document
4.23	<u>Power of Attorney executed by Hu Haiqing in favor of Jiandatong Health Technology (Beijing) Co., Ltd. dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.27 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.24	<u>Statement and Acknowledgment executed by Ma Rui dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 10.28 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 3, 2014)</u>
4.25	<u>Equity Transfer Agreement among Shanghai iKang Guobin Health Examination Management Group Co., Ltd., Shanghai Huajian Health Examination Management Co., Ltd. and Qian Hui dated December 30, 2013 (English translation) (incorporated herein by reference to Exhibit 4.29 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.26	<u>Shanghai Assets and Equity Transaction Contract between Shanghai Gaotong Logistic Service and Management Co., Ltd. and Shanghai iKang Health Examination Management Group Co., Ltd. dated May 22, 2014 (English translation) (incorporated herein by reference to Exhibit 4.30 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.27	<u>Equity Transfer Agreement among Shanghai Huajian Investment Management Co., Ltd., Shanghai iKang Guobin Health Examination Management Group Co., Ltd. and Shanghai Huajian Health Examination Management Co., Ltd. dated June 9, 2014 (English translation) (incorporated herein by reference to Exhibit 4.31 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.28	<u>Supplementary Agreement on Qian Hui's Transfer of All Her Equities in Shanghai Huajian Health Examination Management Co., Ltd. to Shanghai iKang Health Examination Management Group, Co., Ltd. between Qian Hui and Shanghai iKang Health Examination Management Group, Co., Ltd. dated June 9, 2014 (English translation) (incorporated herein by reference to Exhibit 4.32 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 25, 2014)</u>
4.29	<u>Equity Transfer Agreement between Hunan Fengxun Digital Technology Co., Ltd. and iKang Guobin Health Examination Management Group Co., Ltd. dated February 10, 2015 (English translation) (incorporated herein by reference to Exhibit 4.33 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 27, 2015)</u>
4.30	<u>Rights Agreement between iKang Healthcare Group, Inc. and American Stock Transfer & Trust Company, L.L.C., as Rights Agent dated December 2, 2015 (incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 6-K, filed on December 3, 2015)</u>
4.31	<u>Forms of Rights Certificate and of Election to Exercise, included in Exhibit A to the Rights Agreement (incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 6-K, filed on December 3, 2015)</u>
4.32	<u>Summary Translation of Capital Injection Agreement among New China Life Insurance Co., Ltd., iKang Guobin Healthcare Group Co., Ltd., Shenzhen Top Spring Pu Chang Investment Management Co., Ltd. and New China Life Insurance Health Investment Management Co., Ltd. dated December 4, 2015 (incorporated herein by reference to Exhibit 4.36 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.33	<u>Summary Translation of Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated December 9, 2015 (incorporated herein by reference to Exhibit 4.37 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.34	<u>Summary Translation of Investment Agreement between Shenzhen Xingwang Great Health No.1 Investment Center (Limited Partnership) and iKang Healthcare Technology Group Co., Ltd. dated December 7, 2015 (incorporated herein by reference to Exhibit 4.38 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.35	<u>Summary Translation of Investment Agreement between Zhongjin Zhide Equity Investment Management Co., Ltd. and iKang Healthcare Technology Group Co., Ltd. dated December 11, 2015 (incorporated herein by reference to Exhibit 4.39 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>

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Exhibit Number	Description of Document
4.36	<u>Summary Translation of Investment Agreement among Tianjin Junlian Yunpeng Enterprise Management Consulting Partnership (Limited Partnership), iKang Healthcare Technology Group Co., Ltd. and Beijing Junlian Xinhai Equity Investment Partnership (Limited Partnership) dated December 30, 2015 (incorporated herein by reference to Exhibit 4.40 to our annual report on Form 20-F filed with the Securities and Exchange Commission on July 29, 2016)</u>
4.37*	<u>Cooperation Agreement among iKang Healthcare Group, Inc., iKang Health Technology Group Co., Ltd., Ligang Capital Investment (Shenzhen) Co., Ltd., Yuansheng Investment Management Co., Ltd. of Ningbo Meishan Bonded Port Area and China Industrial Asset Management Limited dated July 19, 2017 (English translation)</u>
4.38*	<u>Exclusive Business Cooperation Agreement between Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd. and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation)</u>
4.39*	<u>Equity Pledge Agreement among Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., Hu Haiqing and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation)</u>
4.40*	<u>Equity Pledge Agreement among Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., Tan Juan and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation)</u>
4.41*	<u>Exclusive Call Option Agreement among Yuanhua Medical Consultancy Services (Shanghai) Co., Ltd., Hu Haiqing, Tan Juan and Shanghai Yuanhua Information Technology Co., Ltd. dated March 17, 2017 (English translation)</u>
4.42*	<u>Power of Attorney executed by Hu Haiqing in favor of Yuanhua Medical Consultancy Services (Shanghai) Co. dated March 17, 2017 (English translation)</u>
4.43*	<u>Power of Attorney executed by Tan Juan in favor of Yuanhua Medical Consultancy Services (Shanghai) Co. dated March 17, 2017 (English translation)</u>
4.44*	<u>Supplemental Agreement to the Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated January 17, 2017 (English translation)</u>
4.45*	<u>Supplemental Agreement II to the Loan Agreement between iKang Healthcare Technology Group Co., Ltd. and AVIC Trust Co., Ltd. dated July 10, 2017 (English translation)</u>
4.46*	<u>Supplemental Agreement II to Investment Agreement between Shenzhen Xingwang Great Health No.1 Investment Center (Limited Partnership) and iKang Healthcare Technology Group Co., Ltd. dated January 24, 2017 (English translation)</u>
8.1*	<u>List of Significant Subsidiaries of the Registrant</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1, as amended (File No. 333-194263), initially filed with the Securities and Exchange Commission on March 21, 2014)</u>
12.1**	<u>Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2**	<u>Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1*	<u>Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
13.2*	<u>Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1*	<u>Consent of Conyers Dill & Pearman</u>
15.2**	<u>Consent of King & Wood Mallesons</u>
15.3*	<u>Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, an Independent Registered Public Accounting Firm</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Previously filed or furnished with the annual report on Form 20-F on August 15, 2017.

** Filed with this Amendment No. 1 to the annual report on Form 20-F.

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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 the Form 20-F on its behalf.

iKang Healthcare Group, Inc.

/s/ Lee Ligang Zhang

Name:

Lee Ligang Zhang

Title:

Chairman and Chief Executive Officer

Date: December 4, 2017