

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

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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 December 31, 2020  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of the event requiring this shell company report \_\_\_\_\_

Commission file number: 001-34824

**AMBOW EDUCATION HOLDING LTD.**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**Cayman Islands**

(Jurisdiction of incorporation or organization)

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Chang'an Center, Shijingshan District, Beijing  
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**People's Republic of China**

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(Name, Telephone, E-mail 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	Trading symbol(s)	Name of each exchange on which registered
American depositary shares (one American depositary share representing two Class A ordinary shares, par value \$0.003 per share)	AMBO	NYSE American LLC
Class A Ordinary Shares, par value \$0.003 per share*		NYSE American LLC

\*Not for trading, but only in connection with the listing on the NYSE American

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

**None**

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

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital stock as of the close of the period covered by this report.

**41,923,276 Class A Ordinary Shares and  
4,708,415 Class C Ordinary Shares,  
par value \$0.003 per share, as of December 31, 2020**

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 transition 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, every Interactive Data File required to be submitted 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 such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
Emerging Growth Company

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 Standards Board

Other

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

Item 17  Item 18

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

Yes  No

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## CONVENTIONS THAT APPLY IN THIS ANNUAL REPORT ON FORM 20-F

Except where the context requires otherwise and for purposes of this annual report only:

- “ADSs” refers to our American depositary shares, each of which represents two Class A Ordinary Shares, and “ADRs” refers to the American depositary receipts that evidence our ADSs.
- “we”, “us”, “our company”, “the company”, “the Group”, “our” and “Ambow” refer to Ambow Education Holding Ltd. and its subsidiaries and, in the context of describing our operations and consolidated financial data, also includes our VIEs and their respective subsidiaries.
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan.
- “GaoKao” refers to university entrance exams administered in China.
- “IPO” refers to the initial public offering of our ADSs.
- “RMB” or “Renminbi” refers to the legal currency of China.
- “U.S. GAAP” refers to the Generally Accepted Accounting Principles in the United States.
- “VIEs” refers to our variable interest entities, which are certain domestic PRC companies in which we do not have direct or controlling equity interests but whose historical financial results have been consolidated in our financial statements in accordance with U.S. GAAP.
- “ZhongKao” refers to senior high school entrance exams administered in China.
- “\$”, “US\$” or “U.S. dollars” refers to the legal currency of the United States.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “likely”, “will”, “would”, “could”, and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- Anticipated trends and challenges in our business and the markets in which we operate;
- Our ability to anticipate market needs or develop new or enhanced services and products to meet those needs;
- Our ability to compete in our industry and innovation by our competitors;
- Our ability to protect our confidential information and intellectual property rights;
- Risks associated with opening new learning centers and other strategic plans;
- Our need to obtain additional funding and our ability to obtain funding in the future on acceptable terms;
- The impact on our business and results of operations arising from the defects in our real properties;
- Our ability to create and maintain our positive brand awareness and brand loyalty;
- Our ability to manage growth;
- Risks associated with school closures and reduced enrollment due to the Covid-19 pandemic; and
- Economic and business conditions in China.

All forward-looking statements involve risks, assumptions and uncertainties. You should not rely upon forward-looking statements as predictors of future events. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results. See the information under “Item 3.D Key Information—Risk Factors” and elsewhere in this annual report for a more complete discussion of these risks, assumptions and uncertainties and for other risks and uncertainties. These risks, assumptions and uncertainties are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this annual report might not occur.

### *Summary of Risks*

*An investment in our securities involves a high degree of risk. The occurrence of one or more of the events or circumstances described in the section titled “Risk Factors,” alone or in combination with other events or circumstances, may materially adversely affect our business, financial condition and operating results. In that event, the trading price of our securities could decline, and you could lose all or part of your investment. Such risks include, but are not limited to:*

- *If we are not able to continue to attract students to enroll in our programs, our net revenues may decline and we may not be able to maintain profitability.*
- *We face significant competition in each major program we offer and each geographic market in which we operate, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.*

- *NYSE may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.*
- *We may not be able to successfully integrate businesses that we acquire, which may cause us to lose anticipated benefits from such acquisitions and to incur significant additional expenses.*
- *We face risks related to natural disasters or other extraordinary events and public health epidemics, such as the global coronavirus outbreak currently being experienced, in the locations in which we, our students, faculty, and employees live, work, which could have a material adverse effect on our business and results of operations.*
- *If we are not able to continually enhance our online programs, services and products and adapt them to rapid technological changes and student needs, we may lose market share and our business could be adversely affected.*
- *Failure to respond to changes to the current assessment and testing systems and admission standards in China could have a material adverse effect on our business and results of operations.*
- *We rely on contractual arrangements with our VIEs and their respective shareholders for a substantial portion of our China operations, which may not be as effective in providing operational control as direct ownership.*
- *Regulatory agencies may commence investigations of the tutoring centers, K-12 schools, career enhancement centers and training offices controlled and operated by our VIEs. If the results of the investigations are unfavorable to us, we may be subject to fines, penalties, injunctions or other censure that could have an adverse impact on our reputation and results of operations.*
- *The tuition, accommodation and other fees charged by our degree programs and our K-12 schools and student enrollment at these schools are subject to regulation by the Chinese government, and our revenue is highly dependent on the level of these fees and our student enrolment.*
- *If we fail to comply with the extensive U.S. regulatory requirements related to operating a US higher education institution, we could face significant monetary liabilities, fines and penalties, including loss of access to federal student loans and grants for our students.*
- *The ongoing regulatory effort aimed at for-profit post-secondary institutions of higher education could lead to additional legislation or other governmental action that may negatively affect the industry.*
- *Insiders have substantial control over us, which could adversely affect the market price of our ADSs.*

## PART I

### **Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

#### **A. Selected Financial Data**

Not applicable.

#### **B. Capitalization and Indebtedness**

Not applicable.

#### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

#### **D. Factors**

## RISKS RELATED TO OUR BUSINESS AND INDUSTRY

***If we are not able to continue to attract students to enroll in our programs, our net revenues may decline and we may not be able to maintain profitability.***

The success of our business largely depends on the number of student enrollments in our programs and the amount of fees that our students are willing to pay for our courses. Therefore, our ability to continue to attract students to enroll in our programs without significantly decreasing course fees is critical to the continued success and growth of our business. This will depend on several factors, including our ability to develop new programs and enhance existing programs to respond to changes in market trends and student demands, expanding our geographic reach, managing our growth while maintaining the consistency of our teaching quality, effectively marketing our programs to a broader base of prospective students, developing and licensing additional high-quality educational content and responding to competitive pressures. It also depends on macroeconomic factors like unemployment and the resulting lower confidence in job prospects, and many of the regulatory risks discussed as below. Our enrollment in future years will be affected by legislative uncertainty, regulatory activity, and macroeconomic conditions. It is likely that legislative, regulatory, and economic uncertainties will continue for the foreseeable future, and thus it is difficult to assess our long-term growth prospects. Our partner schools are subject to the government imposed annual enrollment quota limit. If we were to violate requirements to which we are subject the Ministry of Education of the People's Republic of China ("MOE"), could reduce the annual enrollment quota at our partner schools or restrict the programs we offer at our partner schools or the methods by which we recruit new students. If we are unable to continue to attract students to enroll in our programs without significantly decreasing course fees, our net revenues may decline and we may not be able to achieve profitability, either of which could result in a material adverse effect on our business, results of operations and financial condition.

***If we are not able to continue to attract and retain qualified education professionals, we may not be able to maintain consistent teaching quality throughout our school and learning center network and our brand, business and results of operations may be materially and adversely affected.***

Our education professionals are critical to maintaining the quality of our services, software products and programs, and maintaining our brand and reputation, as they interact with our students on a regular basis. We must continue to attract qualified education professionals who have a strong command of the subject areas to be taught and who meet our qualifications. There are a limited number of education professionals in China with the necessary experience to satisfy our qualifications, and we must provide competitive compensation packages to attract and retain qualified teachers and tutors. Some of our education professionals are teachers of public schools that are working at our tutoring centers on a part-time basis. Paid tutoring by teachers of public schools has received more regulatory scrutiny recently. On January 11, 2014, MOE promulgated the Measures for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers (the "Measures") related to some of our substantial business operations in provinces and cities such as Beijing, Tianjin, Jiangsu and Hunan. The Measures prohibit teachers of primary and secondary schools from teaching, on a part-time basis, in schools or in out-of-school learning centers during the work week or at any time. Public school teachers may join private schools only after ending their employment with public schools. Some of our teachers also work in public schools. If these education professionals choose to leave, or are forced to leave, our learning centers to comply with relevant local regulations, we will need to seek new teachers to replace them which we may not be able to do at a reasonable cost or at all. If these regulations become the trend and are adopted in more provinces and cities or become more restrictive, we may need to seek additional new teachers in more places, which will further increase the difficulty of our recruiting efforts. While there have been no existing nationwide regulations imposing any penalty on private schools like ours for hiring teachers who also teach at public schools, we cannot assure you that such regulations will not be adopted in the future. In addition, we may not be able to hire and retain enough qualified education professionals to keep pace with our anticipated growth or at acceptable costs while maintaining consistent teaching quality across many different schools, learning centers and programs in different geographic locations. Shortages of qualified education professionals, or decreases in the quality of our instruction, whether actual or perceived in one or more of our markets, or an increase in hiring costs, may have a material and adverse effect on our business and our reputation. Further, our inability to retain our education professionals may hurt our existing brands and those brands we are trying to develop, and retaining qualified teachers at additional costs may have a material adverse effect on our business and results of operations.

***Our business depends on the strength of our brands in the marketplace. We may not be able to retain existing students or attract new students if we cannot continue to use, protect and enhance our brands successfully in the marketplace.***

Our operational and financial performance and the successful growth of our business are highly dependent on market awareness of our "Ambow" brand and the regional brands that we have acquired. We believe that maintaining and enhancing the "Ambow" brand is critical to maintaining and enhancing our competitive advantage and growing our business. In order to retain existing students and attract new students, we plan to continue to make expenditures to create and maintain our positive brand awareness and create brand loyalty. The diverse set of services and products that we offer to K-12 students, college students and other adults places significant demands on us to maintain the consistency and quality of our services and products to ensure that our brands do not suffer from any actual or perceived decrease in the quality of our services and products. As we continue to grow in size, expand our services and products and extend our geographical reach, maintaining the quality and consistency of our services and products may be more difficult. Any negative publicity about our services, products, schools or learning centers, regardless of its veracity, could harm our brand image and have a material adverse effect on our business and results of operations.

***We face significant competition in each major program we offer and each geographic market in which we operate, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.***

Competition could result in loss of market share and revenue, lower profit margins and limit our future growth. The private education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. In addition, our K-12 schools compete with public schools in China, which are generally viewed to be superior to private schools within the Chinese market. We face competition in each major program we offer and each geographic market in which we operate. Moreover, competition is particularly intense in some of the key geographic markets in which we operate, such as Beijing and Shanghai.

We also face competition from many different companies that focus on one area of our business and are able to devote all of their resources to that business line, and these companies may be able to more quickly adapt to changing technology, student preferences and market conditions in these markets than we can. These companies may, therefore, have a competitive advantage over us with respect to these business areas.

The increasing use of the Internet and advances in Internet and computer-related technologies are eliminating geographic and cost-entry barriers to providing private educational services. As a result, many international companies that offer online test preparation and language training courses may decide to expand their presence in China or to try to penetrate the China market. Many of these international companies have strong education brands, and students and parents in China may be attracted to the offerings based in the country that the student wishes to study in or in which the selected language is widely spoken. In addition, many Chinese and smaller companies are able to use the Internet to quickly and cost-effectively offer their services and products to a large number of students with less capital expenditures than previously required.

Post-secondary education in the United States is highly competitive. Our U.S. colleges, Bay State College Inc. (“Bay State College”) and NewSchool of Architecture and Design, LLC (“NewSchool”), compete with traditional public and private two-year and four-year colleges, other for-profit schools, and alternatives to higher education. Some of our competitors in both the public and private sectors have substantially greater financial and other resources than we do. These competitors may be able to devote greater resources than we can to the development, promotion and sale of their services and products, and respond more quickly than we can to changes in student needs, testing materials, admissions standards, market needs or new technologies. Some of our competitors, both public and private, may offer programs similar to ours at a lower tuition level as a result of government subsidies, government and foundation grants, tax-deductible contributions, and other financial sources not available to proprietary institutions, or by providing fewer student services or larger class sizes. While we believe that our U.S. colleges provides valuable education to their students, we may not always accurately predict the drivers of a student or potential students’ decisions to choose among the range of educational and other options available to them. Our student enrollments may decrease due to intense competition, and we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our net revenues and profitability may decrease. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressures effectively, we may lose our market share and our profitability may be materially adversely affected.

***We may not be able to successfully integrate businesses that we acquire, which may cause us to lose anticipated benefits from such acquisitions and to incur significant additional expenses.***

It is challenging to integrate business operations, infrastructure and management philosophies of acquired schools and companies. The benefits of our past and future acquisitions depend in significant part on our ability to integrate technology, operations and personnel. The integration of acquired schools and companies is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt our business and operations. The main challenges involved in integrating acquired entities include the following:

- Ensuring and demonstrating to our students that the acquisitions will not result in adverse changes in service standards or business focus;
- Consolidating and rationalizing corporate IT and administrative infrastructures;
- Retaining qualified education professionals for our acquired entities;
- Consolidating service and product offerings;
- Coordinating and rationalizing research and development activities to enhance introduction of new products and technologies with reduced cost;
- Preserving strategic, marketing or other important relationships of the acquired entity and resolving potential conflicts that may arise with our key relationships; and
- Minimizing the diversion of senior management attention from day-to-day operations.

We may not successfully integrate our operations and the operations of entities we acquire in a timely manner, or at all, and we may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe, anticipated which would have a material adverse effect on our results of operations.

***Our results of operations may fluctuate, which makes our financial results difficult to forecast, and could cause our results to fall short of expectations.***

Our results of operations may fluctuate as a result of a number of factors, many of which are outside of our control. Our net revenues increased from RMB 531.5 million in 2018 to RMB 583.9 million in 2019, and decreased to RMB 532.0 million (US\$ 81.5 million) in 2020. Comparing our results of operations on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual net revenues and costs and expenses as a percentage of net revenues may be significantly different from our historical or projected rates. Our quarterly and annual net revenues and gross margins may fluctuate due to a number of factors, including:

- The mix of our net revenues across our operating segments;
- The increase of costs associated with our strategic expansion plans;
- The revenue and gross margin profiles of our acquisitions in a given period;
- Our ability to successfully integrate our acquisitions and the timing of our post-integration activities;
- Our ability to reduce our costs as a percentage of our net revenues;
- Increased competition; and
- Our ability to manage our financial resources, including administration of bank loans and bank accounts.

As a result of these and other factors, we may not sustain our past growth rates in future periods, and we may not sustain profitability on a quarterly or annual basis in the future.





***We face risks related to natural disasters or other extraordinary events and public health epidemics, such as the global coronavirus outbreak currently being experienced, in the locations in which we, our students, faculty, and employees live, work, which could have a material adverse effect on our business and results of operations.***

Our business could be severely disrupted and materially adversely affected by natural disasters, inclement weather, or the outbreak of health epidemics in the locations in which we, our students, faculty, and employees live, work, and attend classes. For example, in May 2008, Sichuan Province suffered a strong earthquake measuring approximately 8.0 on the Richter scale that caused widespread damage and casualties. In addition, in the last decade, the PRC has suffered health epidemics related to the outbreak of avian influenza and severe acute respiratory syndrome, or SARS. In April 2009, an outbreak of the H1N1 virus, also commonly referred to as “swine flu”, occurred in Mexico and spread to other countries, including Hong Kong and mainland China. The Chinese government and certain regional governments within China have enacted regulations to address the H1N1 virus specifically within the education services market, which may have an effect on our business. From the beginning of 2020, in response to the global spread of a novel coronavirus pandemic, also known as COVID-19, our K-12 schools, tutoring centers and training offices in China have been closed for a temporary period of time. As China eradicated the pandemic in months, we have resumed full business operation in China from the middle of 2020. Bay State College and NewSchool in U.S. has moved all courses online, including certain classes in a hybrid model (online and on campus together), in response to social distancing needs and precautionary measures. Yet the pandemic continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on our future operations. The COVID-19 pandemic may adversely affect our business operations and operating results for future years, including but not limited to negative impact to the Group’s revenues, delayed or impaired collection of tuition and fees etc. Any future natural disasters or health epidemics could also severely disrupt our business operations and have a material adverse effect on our business and results of operations.

***Our business depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.***

Our future success depends heavily upon the continuing services of the members of our senior management team and, in particular, upon our retaining the services of our founder, Chairman and Chief Executive Officer, Dr. Jin Huang. If one or more of our senior executives or other 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 as a result our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose teachers, students, key professionals and staff members. Competition for experienced management personnel in the private education sector is intense, the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future, which could have a material adverse effect on our business and results of operations.

***If we are not able to continually enhance our online programs, services and products and adapt them to rapid technological changes and student needs, we may lose market share and our business could be adversely affected.***

Our online programs, services and products are vital to the success of our business. The market for such programs, services and products is characterized by rapid technological changes and innovation, unpredictable product life cycles and user preferences. We must quickly modify our online programs, services and products to adapt to changing student needs and preferences, technological advances and evolving Internet practices. Ongoing enhancement of our online offerings and related technologies may entail significant expense and technical risk. We may use new technologies ineffectively or fail to adapt our online services or products and related technologies on a timely and cost-effective basis. If our improvements to our online offerings and the related technology are delayed, if they result in systems interruptions or are not aligned with market expectations or preferences, we may lose market share and our business could be materially adversely affected.

***Failure to adequately and promptly respond to industry changes in curriculum, testing materials and standards could cause our services and products to be less attractive to our students.***

Our success depends in part on our ability to continually update and expand the content, curriculum and test preparation materials of our academic programs, develop new programs and our teaching methods in a cost-effective manner, and meet students’ needs in a timely manner. Any inability to track and respond to the industry changes in a timely and cost-effective manner would make our services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students without a significant decrease in course fees. Further, we understand the MOE has been discussing reforms to curriculum of K-12 schools. Therefore, school curriculum will likely undergo changes and our tutoring and test preparation programs and materials will need to adapt to such changes. Failure to timely respond to such changes will adversely impact our tutoring services.

***Failure to respond to changes to the current assessment and testing systems and admission standards in China could have a material adverse effect on our business and results of operations.***

Part of the net revenues generated in our College Preparation & Career Enhancement Programs (“CP&CE Programs”) segment in the year ended December 31, 2020 were generated from tutoring services focused on preparing for ZhongKao and GaoKao. There have been changes in some areas in the way ZhongKao is administered. For example, Yunnan Province has stopped administering ZhongKao. Instead, high schools will admit students based on a combination of a comprehensive evaluation of the students’ aptitude (provided by their middle schools) and the students’ middle school academic performance. To ensure the success of the educational reform and cultivate students’ comprehensive abilities, Yunnan Province also prohibits subject competitions in elementary and middle schools, including Olympic math competitions, and standardizes admission policies regarding adding points to middle school test scores based on a student’s extracurricular activities. As for GaoKao, some top universities such as Peking University have been allowed to recruit students through independently administered tests and admission procedures in recent years. The candidates still need to take GaoKao and their scores in GaoKao may not be lower than certain thresholds, but such GaoKao scores will not be the sole determining factor in the admission process. Students admitted in this manner generally should not exceed 5% of the annual enrollment quotas of these universities as approved by the MOE. To the extent ZhongKao, or even GaoKao, becomes less prevalent throughout China, our business and results of operations may be materially adversely affected.

***If we are unable to obtain new loans, at all or on terms that are acceptable to us, our growth pace will be impacted.***

We may seek to obtain additional bank loans in the future. We cannot assure you that we will be able to obtain new loans or credit facilities, at all or on terms that are acceptable to us. Our ability to obtain financing may be affected by our financial position and leverage, our credit rating and investor perception of the education industry, as well as by prevailing economic conditions and the cost of financing in general. In addition, factors beyond our control, such as recent global market and economic conditions and the tightening of credit markets may result in a diminished availability of financing and increased volatility in credit and equity markets, which may materially adversely affect our ability to secure financing at reasonable costs or at all. We cannot assure you that the People’s Bank of China (“PBOC”) will not in the future take actions that may result in a tightening of the credit market in China. Our ability to obtain bank loans from domestic Chinese banks will be significantly impacted by the PBOC’s policies, over which we have no control. If we were unable to obtain financing in the future on terms acceptable to us, our business operations and our growth plans would be materially harmed.

***Our business is subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter to quarter.***

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations, primarily due to seasonal changes in service days and student enrollments. Historically, the number of days on which our students attend our courses is lower in the first and third quarters due to school closures for the celebration of the Chinese New Year, winter break and summer break. Because our K-12 schools, training offices, career enhancement centers and colleges recognize revenues based on the number of service days in the quarters, we expect our revenues in the first and third quarters would be lower than the second and fourth quarters. Our costs and expenses, however, vary significantly and do not necessarily correspond with changes in our student enrollments, service days or net revenues. We make investments in marketing and promotion, teacher recruitment and training, and product development throughout the year. We expect quarterly fluctuations in our revenues and results of operations to continue. As the revenues grow in our K-12 schools, training offices, career enhancement centers and colleges, these seasonal fluctuations may become more pronounced.

***We may not be able to adequately protect our intellectual property, which could cause us to be less competitive.***

Our trademarks, trade names, copyrights, trade secrets and other intellectual property rights are important to our success. Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyright, trademark and trade secrets laws and confidentiality agreements with our employees, consultants and others, including our partner schools, to protect our intellectual property rights. Nevertheless, it may be possible for third parties to obtain and use our intellectual property without authorization. The unauthorized use of intellectual property is widespread in China, and enforcement of intellectual property rights by Chinese regulatory agencies is inconsistent. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our management’s attention and resources and could disrupt our business. If we are unable to enforce our intellectual property rights, it could have a material adverse effect on our financial condition and results of operations. Given the relative unpredictability of China’s legal system and potential difficulties enforcing a court judgment in China, we may be unable to halt the unauthorized use of our intellectual property through litigation. Failure to adequately protect our intellectual property could materially adversely affect our competitive position, our ability to attract students and our results of operations.

***We may be exposed to infringement and misappropriation claims by third parties, which, if successful, could cause us to pay significant damage awards.***

Third parties may initiate litigation against us alleging infringement upon their intellectual property rights.

In the event of a future successful claim of infringement or misappropriation and our failure or inability to develop non-infringing technology or license the infringed or misappropriated or similar technology on a timely basis, our business could be harmed. In addition, even if we are able to license the infringed or misappropriated or similar technology, license fees could be substantial and may adversely affect our results of operations.

***Unexpected network interruptions, security breaches or computer virus attacks and system failures could have a material adverse effect on our business, financial condition and results of operations.***

Any failure to maintain satisfactory performance, reliability, security or availability of our network infrastructure may cause significant damage to our reputation and our ability to attract and maintain students. Major risks involving our network structure include:

- Breakdowns or system failures resulting in a prolonged shutdown of our servers, including failures attributable to power shutdowns, or attempts to gain unauthorized access to our systems, which may cause loss or corruption of data, including customer data, or malfunctions of software or hardware;
- Disruption or failure in the national backbone network, which would make it impossible for visitors and students to log on to our websites;
- Damage from fire, flood, power loss and telecommunications failures; and
- Any infection by or spread of computer viruses.

Any network interruption or inadequacy that causes interruptions in the availability of our websites or deterioration in the quality of access to our websites could reduce customer satisfaction and result in a reduction in the number of students using our services. If sustained or repeated, these performance issues could reduce the attractiveness of our online and offline programs. In addition, we may be subject to a security breach caused by a computer hacker, which could involve attempts to gain unauthorized access to our systems or personal information stored in our systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment. A user who circumvents our security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

Furthermore, increases in the volume of traffic on our websites could also strain the capacity of our existing computer systems, which could lead to slower response times or system failures. This would cause a disruption or suspension in our online course programs, which would hurt our brand and reputation, and thus negatively affect our net revenue growth. We may need to incur additional costs to upgrade our computer systems in order to accommodate increased demand if we anticipate that our systems cannot handle higher volumes of traffic in the future; or to protect against system errors, failures or disruptions, or to repair or otherwise mitigate problems.

***Our legal right to lease certain properties could be challenged by property owners or other third parties, which may cause interruptions to business operations of the affected schools, tutoring centers, training offices and career enhancement centers and adversely affect our financial results.***

We lease most of the premises used for the operation of our schools, tutoring centers, career enhancement centers, college campuses and training offices. As a result, we are dependent on the property rights of these properties held by their owners to enable us to use the premises. We cannot assure you that all lessors of our leased business premises have the relevant land use right certificates or building ownership certificates of the premises they lease to us or otherwise have the right to lease the premises to us.

We are not aware of any actions, claims or investigations being contemplated by the competent governmental entities with respect to the defects in our leased real properties. However, if we are unable to use the existing properties, enter new leases or renew our current leases in a timely basis and on terms favorable to us, our business, results of operations and financial condition could be materially adversely affected. No impairment loss was made against the operating and finance lease right-of-use assets in 2020.

***We do not possess building ownership certificates for some of the properties owned by us, and certain of the properties that we own have potential defects or issues that may not be easily remedied, which could cause us to incur significant additional expenses or could disrupt certain aspects of our business.***

Some of the real properties that we own have defects or potential issues such as missing title certificates.

To the extent competent governmental entities were to detect these defects and we were found not to be in compliance with the applicable regulations, we may be subject to fines or incur significant additional expenses, our legal title to some of our properties may be challenged. If we are required to find alternative locations for our schools and learning centers, we may be required to pay increased rent for the new locations and the new locations, especially for our K-12 schools, may be less convenient and accessible to our students and teachers, which may materially adversely affect our business, results of operations and financial condition.

We are in the process of applying for the building ownership certificates for buildings for which we do not yet hold effective title certificates, and are trying to remedy the defects and issues that prevent us from obtaining such certificates. We expect to complete the application process and obtain the certificates in a reasonable period of time, but do not have an exact time frame. However, we cannot assure you that these applications will be approved in a timely fashion or at all. If we are not able to remedy these defects in a timely manner, we may be required to find alternative locations for our schools and learning centers or may be subject to fines or penalties, either of which could have a material adverse effect on our business or results of operations.

***We may need to record a significant charge to earnings if our goodwill or intangible assets arising from acquisitions become impaired, which would adversely affect our net income.***

In accordance with U.S. GAAP, we account for our acquisitions using the acquisition method of accounting, and such acquisitions have resulted in significant goodwill and intangible assets. These assets may become impaired in the future, which could have a material adverse effect on our results of operations following such acquisitions. We are required under U.S. GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment annually, or more frequently, if facts and circumstances warrant a review. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization and slower or declining growth rates in our industry. During 2020, we recognized impairment loss of RMB 36.7 million (US\$ 5.6 million). In the future, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which could have a material adverse effect on our results of operations.

***Our grant of employee share options, restricted shares or other share-based compensation and any future grants could have an adverse effect on our net income.***

We adopted an equity incentive plan in 2010, the 2010 Equity Incentive Plan, which was amended and restated in November 2018, the Amended and Restated 2010 Plan (the “Amended 2010 Plan”). We have granted options and restricted shares under these plans to our employees and consultants. U.S. GAAP prescribes how we account for share-based compensation, which may have an adverse or negative impact on our results of operations. U.S. GAAP requires us to recognize share-based compensation as compensation expense in the statement of operations 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. These statements also require us to adopt a fair value-based method for measuring the compensation expense related to share-based compensation. During the year ended December 31, 2020, we recorded share-based compensation expenses of RMB 0.9 million (US\$ 0.1 million) for the restricted stock and the unrecognized share-based compensation expenses amounted to RMB 1.7 million as of December 31, 2020. The expenses associated with share-based compensation may reduce the attractiveness of issuing share options or restricted shares under our equity incentive plan. However, if we do not grant share options or restricted shares, or reduce the number of share options or restricted shares that we grant, we may not be able to attract and retain key personnel. If we grant more share options or restricted shares to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our net income.

***Changes to accounting standards or taxation rules or practices or greater than anticipated tax liabilities may adversely affect our reported results of operations or how we conduct our business.***

A change in accounting standards or taxation rules or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting standards or taxation rules, such as FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes”, or FIN 48 (now codified as ASC 740), the Enterprise Income Tax Law in China which was effective January 1, 2008, or the EIT Law, and various interpretations of accounting standards or taxation practice have been adopted and may be adopted in the future. These accounting standard and tax regulation changes, future changes and the uncertainties surrounding current practices and implementation procedures may adversely affect our reported financial results or the way we conduct our business. We are subject to income tax, value-added tax and other taxes in many provinces and cities in China and our tax structure is subject to review by various local tax authorities. The determination of our provision for income tax and other tax liabilities requires significant judgment and, in the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate decisions by the relevant tax authorities may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. Moreover, we may lose the tax benefits we are currently receiving or we may be forced to disgorge prior tax benefits we have enjoyed and pay additional taxes and possibly penalties for prior tax years, any of which would harm our results of operations.

Private schools or colleges operated for reasonable returns they were normally subject to income taxes at 33% prior to 2008 and 25% after January 1, 2008 but were, under certain circumstances, subject to deemed amounts or rates of income tax to be determined by the relevant tax authorities. According to the Implementing Rules of the Law for Promoting Private Education and other relevant tax rules, prior to January 1, 2008, had our schools and colleges been registered as not requiring reasonable returns, they would generally have been exempt from income taxes. To date, no separate regulations or guidelines have been released on how to define reasonable return for the purposes of assessing a school’s tax status prior to January 1, 2008. Moreover, the EIT Law includes specific criteria that need to be met by an entity to qualify as a not-for-profit organization in order to be exempt from corporate income tax. An official circular was issued in January 2014 to set out further clarification of the requirements for not-for-profit organizations, and the circular stipulated that only not-for-profit organizations certified jointly by finance and taxation authorities are entitled to tax exemption and the circular shall go into effect retrospectively as of January 1, 2013. While we currently do not believe it is likely that our schools and college would qualify as not-for-profit organizations and therefore be exempt from corporate income tax under the EIT Law, the detailed implementation guidance has not been provided to local tax authorities on how to apply these changes to schools and colleges. We intend to engage an external tax consultant to conduct comprehensive tax planning once further guidance from the tax authorities is released. This consultant may be expensive and the results of the guidance may not be favorable on our tax rates in the future.

***If the slowdown in China’s economy continues or worsens, it may adversely impact our business.***

The growth rate of China’s domestic product in 2020 was 2.3%, compared to a growth rate of 6.1% in 2019 and 6.6% in 2018. Affected by the outbreak of COVID-19, China’s economy suffered a sharp decline in the first quarter of 2020. Only in the second quarter did it start turning from negative to positive, making it the only major economy to register positive economic growth in 2020. Other factors affecting China’s economy include but not limited to tightening macroeconomic measures and monetary policies adopted by the PRC government aimed at preventing overheating of China’s economy and controlling China’s high level of inflation. Since we derive majority of our revenues from students in China, any prolonged slowdown in the Chinese economy may have a negative impact on our business, results of operations and financial condition in a number of ways. For example, our students may decrease or delay spending with us, while we may have difficulty expanding our customer base fast enough, or at all, to offset the impact of decreased spending by our existing students. The adverse economic conditions, if they continue or worsen, will affect consumer spending generally, which could result in decreased demand for our services and products within our target markets.

## RISKS RELATED TO REGULATION OF OUR BUSINESS AND OUR CORPORATE STRUCTURE

***All aspects of our business are subject to extensive regulation in China, we may not be in full compliance with these regulations and our ability to conduct business is highly dependent on our compliance with this regulatory framework. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties.***

The Chinese government regulates all aspects of our business and operations, including licensing of parties to perform various services, pricing of tuition and other fees, curriculum content, standards for the operations of schools, tutoring centers, college and career enhancement centers and foreign investments in the education industry. The laws and regulations applicable to the education sector are subject to frequent change, and new laws and regulations may be adopted, some of which may have a negative effect on our business, either retroactively or prospectively.

Currently, PRC laws and regulations do not explicitly impose restrictions on foreign investment in the tutoring service sector in China. However, some local government authorities in the PRC have adopted different approaches in granting licenses and permits (particularly, imposing more stringent restrictions on foreign-invested entities) for entities providing tutoring services. In some areas, local government authorities do not allow foreign-invested entities to establish private schools to engage in tutoring services, other than in the forms of Sino-foreign cooperative schools or international schools. Under current PRC laws, the foreign contributors of Sino-foreign cooperative schools shall be foreign educational institutions such as universities or colleges instead of foreign companies. As a foreign company, we are not qualified to run Sino-foreign cooperative schools in China. International schools are schools only for children of non-Chinese citizens in China and may not admit any children of Chinese citizens.

We conduct our K-12 Schools and CP&CE Programs business in China primarily through contractual arrangements between Beijing Ambow Shengying Education and Technology Co., Ltd. (“Ambow Shengying”), Beijing Ambow Chuangying Education and Technology Co., Ltd. (“Ambow Chuangying”) and Beijing BoheLe Science and Technology Co., Ltd. (“BoheLe”), our principal operating subsidiaries in China, and our VIEs, and their respective shareholders.

According to the Foreign Investment Industries Guidance Catalog, or Foreign Investment Catalog, which was amended and promulgated by the National Development and Reform Commission (“NDRC”), and the Ministry of Commerce (“MOFCOM”) on March 10, 2015 and became effective on April 10, 2015, foreign investment is encouraged to participate in vocational training services beyond educational services. The foreign investment in higher education, ordinary senior high school education and pre-school education has to take the form of a Sino-foreign cooperative joint venture led by Chinese parties. Foreign investment is banned from compulsory education, which means grades 1-9. Foreign investment is allowed to invest in after-school tutoring services, which do not grant diplomas. NDRC and MOFCOM promulgated The Foreign Investment Industries Guidance Catalog on June 28, 2017, which will come into effect on July 28, 2017, and the abovementioned policy does not change. However, many local government authorities do not allow foreign-invested entities to establish private schools to engage in tutoring services, other than in the forms of Sino-foreign cooperative schools or international schools. Under current PRC laws, the foreign contributors of Sino-foreign cooperative schools shall be foreign educational institutions such as universities or colleges instead of foreign companies. As of December 31, 2020, we had a total of 37 centers and schools in China, comprised of 12 tutoring centers, 3 K-12 schools, 4 career enhancement centers and 18 training offices. We conduct our education business in China primarily through contractual arrangements among our subsidiaries in China and VIEs. The majority of our VIEs and their respective subsidiaries, as PRC domestic entities, hold the requisite licenses and permits necessary to conduct our education business in China and operate our tutoring centers, K-12 schools, career enhancement centers and training offices.

We conduct our intellectualized operational services business in China through IValley Beijing. IValley Beijing is a foreign invested entity controlled by a Taiwanese entity IValley Co., Ltd. (“IValley”). IValley is operated through contractual arrangements between Ambow Education Management (Hong Kong) Limited (“Ambow Education Management”) and its respective shareholders. Foreign investment is encouraged to participate in the intellectualized operational service business in the Foreign Investment Catalog.

If our ownership structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations or we fail to obtain any of the required permits or approvals, the relevant PRC regulatory authorities including the MOE, the MOFCOM, the Ministry of Civil Affairs (“MCA”) and the MIIT, which regulate the education industry, foreign investment in China and Internet business, respectively, would have broad discretion in dealing with such violations, including:

- Revoking the business and operating licenses of our PRC subsidiaries and affiliated entities;
- Discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries and affiliated entities;
- Imposing fines or other requirements with which we or our PRC subsidiaries and affiliated entities may not be able to comply;
- Revoking the preferential tax treatment enjoyed by our PRC subsidiaries and affiliated entities; or
- Requiring us or our PRC subsidiaries and affiliated entities to restructure the relevant ownership structure or operations;
- Restricting or prohibiting the use of any proceeds from our additional public offering to finance our business and operations in China;

Similar ownership structure and contractual arrangements have been used by many China-based companies listed overseas, including in the United States. However, we cannot assure you that penalties will not be imposed on any other companies or us in the future. If any of the above penalties is imposed on us, our business operations and expansion, financial condition and results of operations will be materially and adversely affected.

***We may be classified as “organization of the Mainland Area” under the Act Governing Relations between the People of the Taiwan Area and the Mainland Area, which may prohibit us from investing or conducting business in Taiwan.***

Under the Act Governing Relations Between The People Of The Taiwan Area And The Mainland Area issued by the Taiwan Executive Yuan in July 31, 1992 and revised in June 17, 2015, together with the Method Allowing Investment In Taiwan From People Of The Mainland Area, any individual, organization, or other institution of the Mainland Area, or any company it invests in any third area may not engage in any investment activity in the Taiwan Area unless permitted by the competent authorities. Hong Kong is considered a third area under Taiwan law. Any company in the third area with over 30% direct or indirect shareholding from the Mainland Area or substantially controlled by people from the Mainland Area is treated as an “organization of the Mainland Area”. Therefore, Ambow Education Management is not qualified to engage in any investment activities in Taiwan without approval. We set up a VIE structure to obtain necessary licenses and permits to establish a Taiwan company that is currently subject to PRC investment restrictions for future business development in Taiwan. However, we still face uncertainties as to whether we can maintain our VIE structure in the future. If we are classified as “organization of the Mainland Area”, there may be a material impact to the viability to our current corporate structure, corporate governance and business operations. We may potentially be subject to fines and/or administrative or criminal liabilities.

We have chosen to operate the business in PRC through a Taiwan company because the technology and resources of intellectualized operational services are much more developed in Taiwan. Most of the designers and engineers are from Taiwan and we have purchased some of the equipment and materials from Taiwan to perform our services. We therefore believe that setting up a Taiwan company is very convenient for the company to recruit professionals, make procurement and settle payment accordingly.

***We rely on contractual arrangements with our VIEs and their respective shareholders for a substantial portion of our China operations, which may not be as effective in providing operational control as direct ownership.***

On March 15, 2019, the new Foreign Investment Law of PRC (the “2018 Foreign Investment Law”) was passed by the Second Session of the thirteenth National People’s Congress and will come into force on January 1, 2020. The 2018 Foreign Investment Law does not mention concepts including “de facto control”, “controlling through contractual arrangements” or “variable interest entity”, nor does it specify the regulation on controlling through contractual arrangements or variable interest entity. Furthermore, the 2018 Foreign Investment Law does not specifically stipulate rules on the education industry. Therefore, we believe that the 2018 Foreign Investment Law will not have any material adverse effect on our VIE structure and our business operations.



The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. We set up the VIE structure to address the uncertainties for securing licenses and permits which may be required for our business operation. See “Risk Factors - Risks Related to regulation of our business and our corporate structure—Our VIEs and their respective subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations. See “Regulations - Foreign investment in education service industry” and “Regulations - Regulations on Chinese-foreign cooperation in operating schools”.

We have relied and expect to continue to rely on contractual arrangements with our VIEs and their respective shareholders to operate a substantial portion of our education business. For a description of these contractual arrangements, see “Item 4.C — Information on the Company — Organizational Structure” and “Item 7.B — Related Party Transactions—Contractual arrangements with our VIEs and their respective subsidiaries and shareholders.” These contractual arrangements may not be as effective in providing us with control over our VIEs and their respective subsidiaries as direct ownership. If we had direct ownership of our VIEs and their respective subsidiaries, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our VIEs and their respective subsidiaries, which could affect changes, subject to any applicable fiduciary duties, at the management level. As a legal matter, if our VIEs or any of their respective shareholders fails to perform its or his or her respective obligations under these contractual arrangements, we may have to incur substantial costs and expend significant resources to enforce such arrangements. We may also rely on legal remedies under PRC or Taiwan law, including seeking specific performance or injunctive relief, and claiming damages, but these remedies may not be effective. For example, if the shareholders of any of our VIEs were to refuse to transfer their equity interest in such VIEs to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to fulfill their contractual obligations. In addition, we may not be able to renew these contracts with our VIEs and/or their respective shareholders. If VIEs or their shareholders fail to perform the obligations secured by the pledges under the equity pledge agreements, one of the remedies for default is to require the pledgors to sell the equity interests of VIEs in an auction or sale of the shares and remit the proceeds to Ambow Shengying, Ambow Chuangying, BoheLe and Ambow Education Management, net of all related taxes and expenses. Such an auction or sale of the shares may not result in our receipt of the full value of the equity interests or the business of VIEs.

In addition, these contractual arrangements are governed by PRC or Taiwan law and provide for the resolution of disputes through arbitration in the PRC or Taiwan. Accordingly, these contracts would be interpreted in accordance with PRC or Taiwan law and any disputes would be resolved in accordance with PRC or Taiwan legal procedures. The legal environment in the PRC and Taiwan may not be as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC and Taiwan legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our VIEs, and our ability to conduct our business would be materially adversely affected.

***The shareholders of our VIEs may have potential conflicts of interest with us, which may harm our business and financial condition.***

The shareholders of our VIEs are also employees of our company, and one of them, Xuejun Xie, is a director of certain of our VIEs as well as the vice president of our company. Conflicts of interest between their dual roles may arise. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or that conflicts of interest will be resolved in our favor. In addition, these individuals may breach or cause our VIEs or their respective subsidiaries to breach or refuse to renew the existing contractual arrangements that allow us to effectively control our VIEs and their respective subsidiaries and to receive economic benefits from them. Currently, we do not have existing arrangements to address potential conflicts of interest between these individuals and our company. We rely on these individuals to abide by the laws of the Cayman Islands, PRC and Taiwan, both of which provide that directors owe a fiduciary duty to the company, which requires them to act in good faith and in the best interests of the company and not to use their positions for personal gain. If we cannot resolve any conflicts of interest or disputes between us and the beneficial owners of our VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and substantial uncertainty as to the outcome of any such legal proceedings.

***Our VIEs and their respective subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.***

The principal regulations governing private education in China are The Law for Promoting Private Education and The Implementing Rules for the Law for Promoting Private Education, or 2004 Implementing Rules. Under the current laws and regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. According to 2004 Implementing Rules, at the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrading of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the schools, while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase of net assets of the school (as determined under generally accepted accounting principles in the PRC). All of the private schools operated by our VIEs and their respective subsidiaries currently comply with the existing laws and regulations regarding the allocation of their development funds. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A private school shall consider factors such as the school's tuition fees, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns.

The Standing Committee of the National People's Congress promulgated an amendment to The Law for Promoting Private Education on November 7, 2016, which went into effect on September 1, 2017. Pursuant to this amendment, sponsors of private schools may choose to establish schools as either non-profit or for-profit schools. Sponsors are not permitted to establish for-profit schools that provide compulsory education services, which covers grades one to nine and accounted for a significant portion of our students as well as revenue during the reporting period. Sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC company law and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits from their schools and all revenue must be used for the operation of the schools.

We cannot predict the timing and effects of any amendments or new laws and regulations. Changes in PRC laws and regulations governing private education or otherwise affecting our VIEs', and their respective subsidiaries', operations could have a material adverse effect on our business, prospects and results of operations.

As of December 31, 2020, we had a total of 29 schools that were registered as private schools as opposed to companies in China. Among the 29 schools, 4 schools were registered as schools not requiring reasonable returns. The other 25 schools were registered as schools requiring reasonable returns. The total net revenue of the schools requiring reasonable returns accounted for 62.5% of our consolidated total net revenue for the year ended December 31, 2020. The total net revenue of the schools not requiring reasonable returns accounted for 0.7% of our consolidated total net revenue for the year ended December 31, 2020.

***Regulatory agencies may commence investigations of the tutoring centers, K-12 schools, career enhancement centers and training offices controlled and operated by our VIEs. If the results of the investigations are unfavorable to us, we may be subject to fines, penalties, injunctions or other censure that could have an adverse impact on our reputation and results of operations.***

Our VIEs control and operate tutoring centers, K-12 schools, career enhancement centers and training offices. As the provision of these services is heavily regulated in China, especially primary and secondary schools, these schools and companies that our VIEs or their respective subsidiaries currently own or operate or may acquire or establish in the future may be subject from time to time to inspections and investigations, claims of non-compliance or lawsuits by governmental agencies, which may allege statutory violations, regulatory infractions or other causes of action. For example, if an independent college is found unable to satisfy one or more conditions for running a college, the MOE may impose limitation on the annual enrollment quota or even suspend recruiting by the college. If the results of any such investigations or lawsuits are unfavorable to us, we may be subject to fines, penalties, injunctions or other censure that could have an adverse impact on our reputation and results of operations. Even if we adequately address the issues raised by a government investigation, we may have to devote significant financial and management resources to resolve these issues, which could have a material adverse effect on our business.

***The tuition, accommodation and other fees charged by our degree programs and our K-12 schools and student enrollment at these schools are subject to regulation by the Chinese government, and our revenue is highly dependent on the level of these fees and our student enrollment.***

We are highly dependent upon revenue generated from our three K-12 schools which was 52.3%, 53.7% and 54.8% for the year ended December 31, 2018, 2019 and 2020, respectively. Chinese regulators have broad powers to regulate the tuition, accommodation and other fees charged by primary, secondary and other schools and student enrollment levels at these schools. As a result, new regulations could adversely impact the fees we receive from the schools to which we provide course materials and software products and the student enrollments at our directly-operated schools and at our partner schools, as well as the returns from the K-12 schools operated by our Chinese affiliated entities. The tuition, accommodation and other fees charged by our degree programs and our K-12 schools are subject to various price controls administered by local price-control authorities and our student enrollment in our independent college is subject to annual enrollment quotas established by the MOE. In light of the substantial increase in tuitions and other education-related fees in China in recent years, China's price-control authorities may impose stricter price control on tuition changes in the future. As of the date of this annual report, there is no indication from the MOE or the relevant authorities that the government would significantly change the tuition charges or student annual enrollment quotas. If the tuition charges were to be decreased or if they were not allowed to increase in line with increases in our costs because of the actions of China's administrative price controls or if student enrollments at private schools were restricted, our net revenue and profitability would be materially adversely affected.

***The regulation of Internet website operators in China is subject to interpretation, and our operation of online education programs could be harmed if we are deemed to have violated applicable laws and regulations.***

The interpretation and application of existing Chinese laws and regulations, the stated positions of the main governing authority, the MIIT, and the possibility of adopting new laws or regulations have created significant uncertainties regarding the legality of the businesses and activities of Chinese companies with Internet operations. In particular, according to the Internet Information Services Administrative Measures promulgated by the State Council on September 25, 2000, the activities of Internet content providers are regulated by various Chinese governmental authorities, including, the MOE, the State Administration of Radio, Film and Television, the General Administration of Press and Publication, or GAPP, and the Ministry of Culture, or MOC, depending on the specific activities conducted by the Internet content provider. In addition, MIIT promulgated a notice titled "Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecom Services" on July 13, 2006, which prohibits PRC Internet content providers from leasing, transferring or selling their ICP licenses or providing facilities or other resources to foreign investors. The notice states that PRC Internet content providers (or their shareholders) should directly own the trademarks and domain names for websites operated by them, as well as servers and other infrastructure used to support these websites and a PRC Internet content provider's failure to comply with the notice by November 1, 2006 may result in revocation of its ICP license.

We are in the process of applying for certain ICP licenses. Due to the uncertainties of implementation of relevant regulations by different authorities, we cannot assure you that we could satisfy or will be able to satisfy all the requirements for a PRC Internet content provider.

If we fail to apply for our ICP license, we may be required to cease providing relevant online materials, which would harm our net revenues and results of operations. If we are deemed to have violated applicable Chinese Internet regulations, we could be subject to severe penalties, including confiscation of illegal gains, fines ranging from three to five times the illegal gains, suspension of certain types of services provided or orders to shut down the relevant websites.

## RISKS RELATED TO DOING BUSINESS IN CHINA

***PRC economic, political and social conditions, as well as changes in any government policies, laws and regulations, could adversely affect the overall economy in China or the education or career enhancement market, which could harm our business.***

Substantially most of our operations are conducted in China, and substantially most of our net revenues are derived from China. Accordingly, our business, financial condition, results of operations, prospects and certain transactions we may undertake are subject, to a significant extent, to economic, political and legal developments in China.

The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past two to three decades, growth has been uneven, both geographically and among various sectors of the economy. Demand for our services and products depends, in large part, on economic conditions in China. Any slowdown in China's economic growth may cause our potential customers to delay or cancel their plans to purchase our services and products, which in turn could reduce our net revenues.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocating resources, controlling the incurrence and payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Changes in any of these policies, laws and regulations could adversely affect the economy in China or the education or career enhancement market, which could harm our business.

The PRC government has implemented various measures to encourage foreign investment and sustainable economic growth and to guide the allocation of financial and other resources, which have for the most part had a positive effect on our business and growth. However, we cannot assure you that the PRC government will not repeal or alter these measures or introduce new measures that will have a negative effect on us. Any sudden changes to China's political system or the occurrence of widespread social unrest could have a material adverse effect on our business and results of operations.

***If the chops of our subsidiaries and VIEs in China are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of those entities could be severely and adversely compromised.***

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to have a company chop, which must be registered with the local Public Security Bureau. Our company chops, or chops, are kept securely at our President Office under the direction of Chief Executive Officer at the headquarters level or held securely by personnel designated and approved by the General Manager or Headmaster at subsidiaries or VIEs level. Use of chops requires proper approvals in accordance with our internal control procedures. The custodian at the President Office also maintains a log to keep detailed record of each use of the chops. Moreover, the President Office is always locked after office hours and only authorized persons have the access to the keys.

We have implemented various measures to control the location and usage of the chops, as well as new mechanisms for retaining control over the chops used by the VIEs, such as: (i) centralizing the chop monitoring procedure through our President's office in our headquarters located in Beijing, PRC, where we maintain a ledger to strictly monitor and review the usage of the chops; (ii) employed new management teams to individual schools to replace management positions previously governed by the former owners of the deconsolidated entities; (iii) centralizing the operations of each school and tutoring center by (x) setting up Financial Share Service Centers across the company and standardizing the company's Finance and Operation Policies throughout the company, and (y) Implementing new ERP systems to standardize operations, enhance central controls, and create synergy of the company's resources; and (iv) streamlining the internal control structure with effective communication channels and regular management meetings. We however cannot assure you that unauthorized access to or use of those chops can be totally precluded. To the extent those chops are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and the operations of these entities could be significantly and adversely impacted.

***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 and affiliated entities, which could harm our liquidity and our ability to fund and expand our business.***

As an offshore holding company of our PRC operating subsidiaries and affiliated entities, we may make loans to our PRC subsidiaries and VIEs or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries or consolidated PRC affiliated entities are subject to PRC regulations. For example:

- Loans by us to our wholly-owned subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange (“SAFE”), or its local counterparts; and
- Loans by us to our VIEs and their respective subsidiaries, which are domestic PRC entities, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts.

We may also decide to finance our wholly-owned subsidiaries by means of capital contributions. These capital contributions shall be registered with or approved by the PRC Ministry of Commerce or its local counterparts. We are not likely, however, to finance the activities of our VIEs and their respective subsidiaries by means of capital contributions due to regulatory issues related to foreign investment in domestic PRC entities, as well as the licensing and other regulatory issues discussed in the “Regulation” section of this annual report. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or our VIEs or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or Circular 19, which became effective on June 1, 2015. Circular 19 facilitates foreign-invested enterprises’ domestic equity investment with the amount obtained from foreign exchange settlement. Other than to transfer equity investment funds in the original currencies, the foreign-invested enterprises whose main business is investment (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are allowed to directly settle their foreign exchange capitals and transfer the amount therefrom to the account of an invested enterprise according to the actual amount of investment. Ordinary foreign-invested enterprises other than those of the aforesaid types shall make domestic equity investments by capital transfer in the original currencies governed by the prevailing provisions on domestic re-investment.

Presently none of Ambow Shengying, BoheLe or our other subsidiaries wholly owned by us is registered as an investment company. We do not intend to turn these entities into investment companies because to do so these subsidiaries would have to satisfy criteria promulgated by MOFCOM and be approved by MOFCOM or its provincial counterparts before registration with the administration for industries and commerce, which is difficult to accomplish and time consuming. As a result, if capital is injected into Ambow Shengying, BoheLe and our other subsidiaries as increased registered capital, we may not convert such proceeds into RMB to fund acquisitions of the VIEs and their respective subsidiaries, and our ability to expand our business may be adversely affected.

If we use our capital for the business of Ambow Shengying, BoheLe or our other wholly-owned subsidiaries, we are also required to apply to the authority of commerce for approval for an increase of their respective registered capital given that the original registered capital of these subsidiaries have been fully paid. We cannot assure you that we can obtain such approvals in a timely manner or at all. If we are unable to use our capital to fund our PRC operating entities or their subsidiaries or to make strategic acquisitions, it could have a material adverse effect on our expansion plans and future growth.

***We do not have business insurance coverage in China, which could harm our business.***

We could be held liable for accidents that occur at our learning centers and other facilities. In the event of on-site food poisoning, personal injuries, fires or other accidents suffered by students or other people, we could face claims alleging that we were negligent, provided insufficient supervision or instruments or were otherwise liable for the injuries. Such accidents may adversely affect our reputation and financial results. The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. As a result, we do not have any business liability or disruption insurance coverage for our operations. Any business disruption, litigation or natural disaster would result in substantial costs and diversion of our resources.

## RISKS RELATED TO REGULATIONS OF OUR U.S. BUSINESS

***If we fail to comply with the extensive U.S. regulatory requirements related to operating a US higher education institution, we could face significant monetary liabilities, fines and penalties, including loss of access to federal student loans and grants for our students.***

As a provider of higher education in the United States, we are subject to extensive regulation on both the federal and state levels. These regulatory requirements cover virtually all phases and aspects of our U.S. postsecondary operations, including educational program offerings, facilities, civil rights, safety, public health, privacy, instructional and administrative staff, administrative procedures, marketing and recruiting, financial operations, payment of refunds to students who withdraw, acquisitions or openings of new schools or programs, addition of new educational programs, and changes in our corporate structure and ownership. In particular, the Higher Education Act and related regulations subject our U.S. colleges that participate in the various Title IV programs to significant regulatory scrutiny.

The Higher Education Act mandates specific regulatory responsibilities for each of the following components of the higher education regulatory triad: (1) the federal government through the Department of Education; (2) the accrediting agencies recognized by the Secretary of Education; and (3) state education regulatory bodies. In addition, other federal agencies such as the Consumer Financial Protection Bureau and Federal Trade Commission, and various state agencies and state attorneys general enforce consumer protection laws applicable to post-secondary educational institutions.

The regulations, standards, and policies of these regulatory agencies frequently change, and changes in, or new interpretations of, applicable laws, regulations, standards, or policies could have a material adverse effect on our accreditation, authorization to operate in various states, permissible activities, receipt of funds under Title IV programs, or costs of doing business.

Title IV requirements are enforced by the Department of Education and, in some instances, by private plaintiffs. If we are found not to be in compliance with these laws, regulations, standards, or policies, we could lose our access to Title IV program funds, which would have a material adverse effect on our U.S. colleges operations. Findings of noncompliance also could result in our being required to pay monetary damages, or being subjected to fines, penalties, injunctions, restrictions on our access to Title IV program funds, or other censure that could have a material adverse effect on our business.

***The ongoing regulatory effort aimed at for-profit post-secondary institutions of higher education could lead to additional legislation or other governmental action that may negatively affect the industry.***

The proprietary post-secondary education sector has at times experienced scrutiny from federal legislators, agencies, and state legislators and attorneys general. An adverse disposition of these existing inquiries, administrative actions, or claims, or the initiation of other inquiries, administrative actions, or claims, could, directly or indirectly, have a material adverse effect on our business, financial condition, result of operations, and cash flows and result in significant restrictions on us and our ability to operate.

***If we fail to maintain our institutional accreditation or if our institutional accrediting body loses recognition by the Department of Education, we would lose our ability to participate in Title IV programs.***

The loss of institutional accreditation by any of our U.S. colleges would render by any of our U.S. colleges ineligible to participate in Title IV programs and would have a material adverse effect on our business, financial condition, results of operations, and cash flows and result in the imposition of significant restrictions on us and our ability to operate. In addition, an adverse action by our institutional accreditors other than loss of accreditation, such as issuance of a warning, could have a material adverse effect on our business.

***If we fail to obtain recertification by the Department of Education when required, we would lose our ability to participate in Title IV programs.***

Each institution participating in Title IV programs must enter into a Program Participation Agreement with the Department of Education. Under the agreement, the institution agrees to follow the Department of Education's rules and regulations governing Title IV programs. An institution generally must seek recertification from the Department of Education at least every six years and possibly more frequently depending on various factors, such as whether it is provisionally certified. The Department of Education may also review an institution's continued eligibility and certification to participate in Title IV programs, or scope of eligibility and certification, in the event the institution undergoes a change in ownership resulting in a change of control or expands its activities in certain ways, such as the addition of certain types of new programs, or, in certain cases, changes to the academic credentials that it offers. In certain circumstances, the Department of Education must provisionally certify an institution. The Department of Education may withdraw our certification if it determines that we are not fulfilling material requirements for continued participation in Title IV programs. If the Department of Education does not renew, or withdraws our certification to participate in Title IV programs, our students would no longer be able to receive Title IV program funds. Alternatively, the Department of Education could (1) renew the certifications for an institution, but restrict or delay receipt of Title IV funds, limit the number of students to whom an institution could disburse such funds, or place other restrictions on that institution, or (2) delay recertification after an institution's PPA expires, in which case the institution's certification would continue on a month-to-month basis, any of which would have a material adverse effect on our business, financial condition, results of operations, and cash flows.

On March 1, 2018, the Department and Bay State College executed a Provisional Program Participation Agreement, approving Bay State College's continued participation in Title IV programs with full certification through December 31, 2020. As of the date of this report, Bay State College is applying for a new Provisional Program Participation Agreement from the Department. On April 1, 2020, the Department and NewSchool executed a Temporary and Provisional Program Participation Agreement, approving NewSchool's continued participation in Title IV programs with full certification through April 30, 2020, which has been renewed on a month-to-month basis until a determination regarding the change of ownership of NewSchool is made by the Department. As of the date of this report, the Department is in process of reviewing of the change of ownership.

***Student loan defaults could result in the loss of eligibility to participate in Title IV programs.***

In general, under the Higher Education Act, an educational institution may lose its eligibility to participate in some or all Title IV programs if, for three consecutive federal fiscal years, 30% or more of its students who were required to begin repaying their student loans in the relevant federal fiscal year default on their payment by the end of the second federal fiscal year following that fiscal year. Institutions with a cohort default rate equal to or greater than 15% for any of the three most recent fiscal years for which data are available are subject to a 30-day delayed disbursement period for first-year, first-time borrowers.

If we lose eligibility to participate in Title IV programs because of high student loan default rates, it would have a material adverse effect on our business, financial condition, results of operations, and cash flows and result in the imposition of significant restrictions on us and our ability to operate. Default rates for Bay State College in fiscal year 2018 and NewSchool in fiscal year 2019 published by the Department of Education is 4.7% and 3.6%, respectively.

***Our US colleges could lose their eligibility to participate in federal student financial aid programs or be provisionally certified with respect to such participation if the percentage of our revenues derived from those programs were too high.***

A proprietary institution may lose its eligibility to participate in the federal Title IV student financial aid program if it derives more than 90% of its revenues, on a cash basis, from Title IV programs for two consecutive fiscal years. A proprietary institution of higher education that violates the 90/10 Rule for any fiscal year will be placed on provisional status for up to two fiscal years. Using the formula specified in the Higher Education Act, Bay State College derived approximately 62% of its cash-basis revenues from these programs in the year of 2019. Percentages of Bay State College and NewSchool for the year of 2020 are in process of audits as of the date of this report, which we estimate will be in compliance with the 90/10 Rule. If any of our US colleges lose eligibility to participate in Title IV programs because they are unable to comply with 90/10 Rule, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

***Our failure to demonstrate financial responsibility or administrative capability may result in the loss of eligibility to participate in Title IV programs.***

All US colleges are subject to meeting financial and administrative standards. These standards are assessed through annual compliance audits, periodic renewal of institutional PPAs, periodic program reviews and ad hoc events which may lead the Department of Education to evaluate an institution's financial responsibility or administrative capability. The administrative capability criteria require, among other things, that our institution (1) has an adequate number of qualified personnel to administer Title IV programs, (2) has adequate procedures for disbursing and safeguarding Title IV funds and for maintaining records, (3) submits all required reports and consolidated financial statements in a timely manner, and (4) not has significant problems that affect the institution's ability to administer Title IV programs.

A financial responsibility test is required for continued participation by an institution's students in U.S. federal financial assistance programs. The test is based upon a composite score of three ratios: an equity ratio that measures the institution's capital resources; a primary reserve ratio that measures an institution's ability to fund its operations from current resources; and a net income ratio that measures an institution's ability to operate profitably. A minimum score of 1.5 is necessary to meet the financial standards. Institutions with scores of less than 1.5 but greater than or equal to 1.0 are considered financially responsible, but require additional oversight. These schools are subject to heightened cash monitoring and other participation requirements. An institution with a score of less than 1.0 is considered not financially responsible. However, a school with a score of less than 1.0 may continue to participate in the Title IV programs under provisional certification. In addition, this lower score typically requires that the school be subject to heightened cash monitoring requirements and post a letter of credit (equal to a minimum of 10% of the Title IV aid it received in the institution's most recent fiscal year). For the fiscal year of 2020, the audits to calculate the composited scores of Bay State College and NewSchool are in process as of the date of this report. We estimate both Bay State College and NewSchool would meet the required minimum of 1.5.

If the Department of Education determines, in its judgment, that Bay State College and NewSchool have failed to demonstrate either financial responsibility or administrative capability, we could be subject to sanctions, including, among other things, a requirement to post a letter of credit, fines, suspension or termination of our eligibility to participate in Title IV programs or repayment of funds received under Title IV programs, any of which could have a material adverse effect on our business, financial condition, results of operation and cash flows and result in the imposition of significant restrictions on us and our ability to operate. The Department of Education has considerable discretion under the regulations to impose the foregoing sanctions and, in some cases, such sanctions could be imposed without advance notice or any prior right of review or appeal.



***Our failure to comply with the Borrower Defense to Repayment Regulations could result in sanctions and other liability.***

Under the Higher Education Act, The Department of Education is authorized to specify in regulations, which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a Direct Loan made under the Direct Loan Program. On July 1, 2020, new Defense to Repayment regulations went into effect that include a higher threshold for establishing misrepresentation, provides for a statute of limitation for claims submission, narrows the current triggers allowed for letter of credit requirements, and eliminates provisions for group discharges. The new regulations are effective with claims on loans disbursed on or after July 1, 2020.

Management is unable to predict how regulations will be revised, the result of any other current or future rulemakings, or the impact of such rulemakings on our business. The outcome of any legal proceeding instituted by a private party or governmental authority, facts asserted in pending or future lawsuits, and/or the outcome of any future governmental inquiry, lawsuit, or enforcement action could serve as the basis for claims by students or The Department of Education under the Defense to Repayment regulations, the posting of substantial letters of credit, or the termination of eligibility of our institutions to participate in the Title IV program based on The Department of Education's institutional capability assessment, any of which could, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations, and cash flows.

***Our business operations could be harmed if we experience a disruption in our ability to process student loans under the Federal Direct Loan Program.***

Any processing disruptions by the Department of Education may affect our students' ability to obtain student loans on a timely basis. If we experience a disruption in our ability to process student loans through the Federal Direct Loan Program, either because of administrative challenges on our part or the inability of the Department of Education to process the volume of direct loans on a timely basis, our business, financial condition, results of operations, and cash flows related to our U.S. colleges could be adversely and materially affected.

***Our business operations could be harmed if Congress makes changes to the availability of Title IV funds.***

We collected approximately 25% of the consolidated net revenue in our CP&CE Programs segment from receipt by Bay State College and NewSchool of Title IV financial aid program funds in the year of 2020, principally from federal student loans under the Federal Direct Loan Program. Changes in the availability of these funds or a reduction in the amount of funds disbursed may have a material adverse effect on our enrollment, financial condition, results of operations, and cash flows. Action by the U.S. Congress to revise the laws governing the federal student financial aid programs or reduce funding for those programs could reduce our student enrollment and/or increase costs of operation. Political and budgetary concerns significantly affect Title IV programs. Any action by the U.S. Congress that significantly reduces Title IV program funding or the ability of our U.S. colleges or students to participate in Title IV programs could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

#### **RISKS RELATED TO OWNERSHIP OF OUR ADS**

***We cannot assure you that the ADSs will not be delisted from the NYSE American, which could negatively impact the price of the ADSs and our ability to access the capital markets.***

We cannot give you any assurance that a broader or more active public trading market for the ADSs will develop on the NYSE American or be sustained, or that current trading levels in ADSs will be sustained. In addition, if we fail to meet the criteria set forth in SEC regulations, by law, various requirements would be imposed on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling the ADSs, which may further affect the liquidity of the ADSs.

The listing standards of the NYSE American provide that a company, in order to qualify for continued listing, must maintain a minimum share price of \$1.00 and satisfy standards relative to minimum shareholders' equity, minimum market value of publicly held shares and various additional requirements. If we fail to comply with all listing standards applicable to issuers listed on the NYSE American, the ADSs may be delisted. If the ADSs are delisted, it could reduce the price of the ADSs and the levels of liquidity available to our shareholders. In addition, the delisting of the ADSs could materially and adversely affect our access to the capital markets and any limitation on liquidity or reduction in the price of the ADSs could materially and adversely affect our ability to raise capital. Delisting from the NYSE American could also result in other negative consequences, including the potential loss of confidence by suppliers, customers and employees, the loss of institutional investor interest and fewer business development opportunities.

***The market price of our ordinary shares and the ADSs could be subject to volatility.***

The market price of our ordinary shares and the ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors such as:

- variations in our actual and perceived operating results;
- announcements of new products or services by us or our competitors;
- technological breakthroughs by us or our competitors;
- news regarding gains or losses of customers or partners by us or our competitors;
- news regarding gains or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry by us or our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- potential litigation;
- general market conditions or other developments affecting us or our industry; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, the 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 the ordinary shares and the ADSs.

***Insiders have substantial control over us, which could adversely affect the market price of our ADSs.***

Under our Sixth Amended and Restated Memorandum and Articles of Association, our ordinary shares are divided into Class A Ordinary Shares and Class C Ordinary Shares. Holders of Class A Ordinary Shares are entitled to one vote per share, while holders of Class C Ordinary Shares are entitled to ten votes per share. Shareholdings of our executive officers and directors, and their respective affiliates, give them the power to control any actions that require shareholder approval under Cayman Islands law, our Sixth Amended and Restated Memorandum and Articles of Association, including the election and removal of any member of our board of directors, mergers, consolidations and other business combinations, changes to our Sixth Amended and Restated Memorandum and Articles of Association, the number of shares available for issuance under share incentive plans and the issuance of significant amounts of our ordinary shares in private placements. Our executive officers and directors and their respective affiliates have sufficient voting rights to determine the outcome of all matters requiring shareholder approval.

As a result of our executive officers and directors and their respective affiliates' ownership of a majority of our ordinary shares, their voting power may cause transactions to occur that might not be beneficial to you as a holder of ADSs and may prevent transactions that would be beneficial to you. For example, their voting power may prevent a transaction involving a change of control of us, including transactions in which you as a holder of our ADSs might otherwise receive a premium for your securities over the then-current market price. Similarly, our executive officers and directors and their respective affiliates may approve a merger or consolidation of our company which may result in you receiving a stake (either in the form of shares, debt obligations or other securities) in the surviving or new consolidated company which may not operate our current business model and dissenters' rights may not be available to you in such an event. This concentration of ownership could also adversely affect the market price of our ADSs or lessen any premium over market price that an acquirer might otherwise pay.

***We may need additional capital, and the sale of additional ADSs or other equity securities would result in additional dilution to our shareholders.***

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for more than the next twelve months. We may, however, require additional cash resources due to changed business conditions or other future developments. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. To consummate these transactions, we may issue additional shares in these acquisitions that will dilute our shareholders. The sale of additional equity 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 or our ability to pay dividends. Our ability to raise additional funds in the future is subject to a variety of uncertainties, including:

- Our future financial condition, results of operations and cash flows;
- General market conditions for capital raising activities; and
- Economic, political and other conditions in China and elsewhere.

We cannot assure you that if we need additional cash financing it will be available in amounts or on terms acceptable to us, or at all.

***Anti-takeover provisions in our Sixth Amended and Restated Memorandum and Articles of Association may discourage, delay or prevent a change in control.***

Some provisions of our Sixth Amended and Restated Memorandum and Articles of Association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including, among other things, the following:

- Provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and
- Provisions that restrict the ability of our shareholders to call meetings and to propose special matters for consideration at shareholder meetings.

***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 expedient in connection with the performance of its duties. 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, or for any other reason.

All of our PRC corporate entities, including Ambow Shengying, Ambow Chuangying, BoheLe, our VIEs and their subsidiaries, maintain corporate records and filings with industry and commerce administration authorities where such PRC entities are registered. Information contained in such corporate records and filings includes, among others, business address, registered capital, business scope, articles of association, equity interest holders, legal representative, changes to the above information, annual financial reports, matters relating to termination or dissolution, information relating to penalties imposed, and annual inspection records.

There have been regulations promulgated by various government authorities in PRC that govern the public access to corporate records and filings. Pursuant to the Company Law and Regulations of the People's Republic of China on the Registration Administration of Companies, the company registration authority shall record the registered items of companies in a company recording book for the consultation and reproduction purposes of the public. The general public may apply to the company registration authority for inspection of the registered items of companies. Under the *Measures for Accessing Corporate Records and Filings* promulgated on December 16, 1996 by the State Administration for Industry and Commerce ("SAIC"), or the SAIC Measures, a wide range of basic corporate records, except for such restricted information as business results and financial reports, can be inspected by the public without restrictions. Under these SAIC Measures, a company's restricted information can only be inspected by authorized government officers and officials from judicial authorities or lawyers involved in pending litigation relating to such company and with court-issued proof of such litigation. In practice, local industry and commerce administration authorities in different cities have adopted various regional regulations, which impose more stringent restrictions than the SAIC Measures by expanding the scope of restricted information that the public cannot freely access. Many local industry and commerce administration authorities only allow unrestricted public access to such basic corporate information as name, legal representative, registered capital and business scope of a company. Under these local regulations, access to the other corporate records and filings (many of which are not restricted information under the SAIC Measures) is only granted to authorized government officers and officials from judicial authorities or lawyers involved in pending litigation relating to such company and with court-issued proof of such litigation.

However, neither the SAIC nor the local industry and commerce administration authorities have strictly implemented the restrictions under either the SAIC Measures or the various regional regulations before early 2012. As a result, before early 2012, the public was able to access all or most corporate records and filings of these listed companies' PRC affiliates maintained with the industry and commerce administration authorities. Such records and filings were reported to have formed important components of research reports on certain China-based, U.S.-listed companies, which were claimed to have uncovered wrongdoings and fraud committed by these companies.

It was reported that, since the first half of 2012, local industry and commerce administration authorities in a number of cities had started strictly implementing the above restrictions and had significantly curtailed public access to corporate records and filings. There have also been reports that only the limited scope of basic corporate records and filings are still accessible by the public, and much of the previously publicly accessible information, such as financial reports and changes to equity interests, now can only be accessed by the parties specified in, and in strict accordance with the restrictions under, the various regional regulations. Individuals other than the parties specified in the various regional regulations may get access to the corporate records and filings including, but not limited to, financial reports, shareholder changes and assets transfers with the permission of the PRC subject companies with reference letters issued by the companies. Such reported limitation on the public access to corporate records and filings and the resulting concerns over the loss of, or limit in, an otherwise available source of information to verify and evaluate the soundness of China-based U.S.-listed companies' business operations in China may have a significant adverse effect on the overall investor confidence in such companies' reported results or other disclosures, including those of our company, and may cause the trading price of our ADSs to decline.

## GENERAL RISK FACTORS

***We may have acquisitions in the future, which involve risks and uncertainties, and if we don't manage those risks well, it may harm our business.***

In the future, we may establish and maintain joint ventures and strategic relationships with third parties. Strategic acquisitions, investments and relationships with third parties involve substantial risks and uncertainties, including:

- Our ability to identify and acquire targets in a cost-effective manner;
- Our ability to obtain approval from relevant governmental authorities for the acquisitions and comply with applicable rules and regulations for such acquisitions;
- Potential ongoing financial obligations in connection with acquisitions;
- Potential unforeseen or hidden liabilities, including litigation claims or tax liabilities, associated with acquired companies or schools;
- The diversion of resources and management attention from our existing businesses;
- Failure to achieve the intended objectives, benefits or revenue-enhancing opportunities expected from the acquisitions;
- Our ability to generate sufficient revenues to offset the costs and expenses of strategic acquisitions, investments, joint venture formations, or other strategic relationships; and
- Potential loss of, or harm to, employee or customer relationships as a result of ownership changes.

In particular, while we typically would perform due diligence on each entity that we acquire before the acquisition, some of the acquired entities may not maintain their historical documents and records properly and such documents and records may be unavailable for our review. As such, there may be hidden liabilities and risks relating to the business and operation of such entities that we fail to identify before the acquisition. If we acquire such entity and any such hidden liability is found or any such risk materializes in the future, we may not have any remedy against the sellers and may have to assume the liabilities and losses as a result.

If any one or more of these risks or uncertainties were to occur or if any of the strategic objectives we contemplated is not achieved, our ability to manage our business could be impaired. It could result in our failure to derive the intended benefits of these strategic acquisitions, investments, joint ventures or strategic relationships, or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to successfully pursue our future acquisition strategy, our plans for further market penetration, revenue growth and improved results of operations could be harmed.

***If we fail to successfully develop and introduce new services and products in time, our competitive position and ability to generate revenues could be harmed.***

Our future success depends partly on our ability to develop new services and products. The planned timing or introduction of new services and products is subject to risks and uncertainties. Actual timing may differ materially from original plans. Unexpected technical, operational or other problems could delay or prevent the introduction of one or more of our new services or products. Moreover, we cannot assure you that any of our new services and products will achieve widespread market acceptance or generate incremental revenue. If our efforts to develop, market and sell new services and products to the market are not successful, our financial position, results of operations and cash flows could be materially adversely affected.

***We rely heavily on our information systems, and if we fail to further develop our technologies, or if our systems, software, applications, database or source code contain "bugs" or other undetected errors, our operations may be seriously disrupted.***

The successful development and maintenance of our systems, software, applications and database, such as our school management software and system, learning engine and student database, is critical to the attractiveness of our online and offline programs and the management of our business operations. In order to achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our technology. This may require us to acquire additional equipment and software and to develop new applications. In addition, our technology platform upon which our management systems and online programs operate, and our other databases, products, systems and source codes could contain undetected errors or "bugs" that could adversely affect their performance.

To date, our information systems have not encountered material errors or technical issues that have adversely affected or disrupted our operations. If we encounter errors or other service quality or reliability issues, or if we are unable to design, develop, implement and utilize information systems and the data derived from these systems, our ability to realize our strategic objectives and our profitability could be adversely affected, and this may cause us to lose market share, harm our reputation and brand names, and materially adversely affect our business and results of operations.

***If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud, and investor confidence may be materially and adversely affected.***

As a public company in the United States, we are subject to the reporting obligations under the U.S. securities laws. The Securities and Exchange Commission (“SEC”), as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring every public company to include a report of management on the effectiveness of such company’s internal control over financial reporting in its annual report. As a non-accelerated filer, we are not required to have an independent registered public accounting firm issue an attestation report on the effectiveness of our internal control over financial reporting. However, we are still required to include a report of management on the effectiveness of our company’s internal control over financial reporting in our annual report. Our management has performed an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2020 and concluded that our internal control over financial reporting was effective as of December 31, 2020. See “Item 15. Control and Procedures.”

Nevertheless, we cannot assure you that we will maintain effective internal control over financial reporting on an ongoing basis. If we fail to maintain effective internal controls over financial reporting in the future, our management may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. Any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could have a material and adverse effect on the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

***Contractual arrangements we have entered into among our subsidiaries and our VIEs and their respective shareholders may result in adverse tax consequences to us; such arrangements may be subject to scrutiny by the PRC and Taiwan tax authorities and a finding that we or our VIEs and their respective shareholders owe additional taxes could substantially reduce our consolidated net income and the value of your investment.***

Under PRC and Taiwan laws and regulations, arrangements and transactions among related parties should be priced on an arm’s length basis and may be subject to audit or challenge by the PRC and Taiwan tax authorities. We could face material adverse tax consequences if the PRC or Taiwan tax authorities determine that the contractual arrangements between Ambow Shengying, Ambow Chuangying, BoheLe, Ambow Education Management and our VIEs and their respective shareholders do not represent an arm’s-length price and adjust our VIEs’ or any of their respective subsidiaries’ income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in, for PRC or Taiwan tax purposes, increased tax liabilities for our VIEs or any of their respective subsidiaries. In addition, the PRC and Taiwan tax authorities may require us to disgorge our prior tax benefits, and require us to pay additional taxes for prior tax years and impose late payment fees and other penalties on our affiliated entities for underpayment of prior taxes. To date, similar contractual arrangements have been used by many other public companies. However, we cannot assure you that such penalties will not be imposed on any other companies or us in the future. Our consolidated net income may be harmed if our affiliated entities’ tax liabilities increase or if they are found to be subject to additional taxes, late payment fees or other penalties.

***Uncertainties with respect to the PRC legal system could harm us.***

Our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, prior court decisions have limited precedential value. Ambow Shengying, Ambow Chuangying, BoheLe and our other wholly-owned subsidiaries in China are generally subject to PRC laws and regulations, in particular, laws applicable to foreign invested enterprises.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Moreover, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities, including local government authorities, thus making strict compliance with all regulatory requirements impractical, or in some circumstances, impossible. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

***Our subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us or any other affiliated company.***

We are a holding company and rely principally on dividends paid by our subsidiaries established in China for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders to the extent we choose to do so, to service any debt we may incur and to pay our operating expenses. Our PRC subsidiaries’ income in turn depends on the service and other fees paid by our VIEs. Current PRC regulations permit our subsidiaries in China to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, under the applicable requirements of PRC law, our PRC subsidiaries and affiliated entities incorporated as companies may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends.

In addition, under the EIT Law, which became effective on January 1, 2008 and its implementation rules, dividends paid to us by our PRC subsidiaries are subject to withholding tax. The withholding tax on dividends may be exempted or reduced by the PRC State Council. Currently, the withholding tax rate is 10% unless reduced or exempted by treaty between the PRC and the tax residence of the holder of the PRC subsidiary.

Furthermore, if our subsidiaries and affiliated entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would restrict our subsidiaries' ability to pay dividends and make other distributions to us.

In addition, at the end of each fiscal year, each of our affiliated entities that are private schools in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. Pursuant to an amendment to The Law for Promoting Private Education on November 7, 2016, which went into effect on September 1, 2017, sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC company law and other relevant laws and regulations.

Entities registered as schools not requiring reasonable returns are restricted from directly distributing to us any dividends or profits.

To date, our PRC subsidiaries have not paid dividends to us out of their accumulated profits. In the near future, we do not expect to receive dividends from our PRC subsidiaries because the accumulated profits of these PRC subsidiaries are expected to be used for their own business or expansions. If we are unable to extract the earnings and profits of some of our schools and learning centers, it could have a material adverse effect on our liquidity and financial condition.

***It is unclear whether we will be considered a PRC "resident enterprise" under the EIT Law and, depending on the determination of our PRC "resident enterprise" status, dividends paid to us by our PRC subsidiaries may be subject to PRC withholding tax, we may be subject to 25% PRC income tax on our worldwide income, and holders of our ADSs or ordinary shares may be subject to PRC withholding tax on dividends paid by us and gains realized on their transfer of our ADSs or ordinary shares.***

The EIT Law and its Implementing Regulations, which became effective on January 1, 2008, provide that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises." The Implementing Regulations of the PRC EIT Law define the term "de facto management bodies" as a body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. 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. Following Circular 82, on July 27, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation), or Resident Enterprise Administrative Measure, which was effective as of September 1, 2011. This Resident Enterprise Administrative Measures provide clarification of resident status determination, post-determination administration, as well as competent tax authorities. Circular 82 further provides that, among other things, an entity that is classified as a "resident enterprise" in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined as a "resident enterprise," any dividend, profit and other equity investment gain shall be taxed in accordance with the Enterprise Income Tax Law and its implementing rules. However, Circular 82 and Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in by PRC individuals, like our company. Currently there are no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management bodies" and it is still unclear if the PRC tax authorities would determine that we should be classified as a PRC "resident enterprise".

If we are treated as a PRC "resident enterprise", however, we will be subject to PRC income tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations and our income tax expenses will increase and the amount of dividends, if any, we may pay to our shareholders and ADS holders may be decreased, although dividends distributed from our PRC subsidiaries to us could be exempt from the PRC dividend withholding tax, since such income is exempted under the EIT Law and its Implementing Regulations to a PRC resident recipient.

In addition, if we are considered a PRC “resident enterprise”, dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares may be considered income derived from sources within the PRC for PRC tax purposes and be subject to PRC withholding tax.

***We face uncertainties with respect to indirect transfers of the equity interests in PRC resident enterprises by their non-PRC holding companies.***

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation on December 10, 2009, 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 competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698 is retroactively effective from January 1, 2008. There is uncertainty as to the application of Circular 698. For example, while the term “indirect transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax.

The State Administration of Taxation issued Bulletin on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises, or Bulletin 7, on February 3, 2015, which replaced or supplemented certain previous rules under Circular 698. Under Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25.0%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10.0% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7. If Bulletin 7 was determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with Bulletin 7 or to establish that the relevant transactions should not be taxed under Bulletin 7.

As a result, we and our non-PRC shareholders may have the risk of being taxed for the disposition of our ordinary shares or ADS and may be required to spend valuable resources to comply with Circular 698 and Bulletin 7 or to establish that we or our non-PRC shareholders should not be taxed as an indirect transfer, which may have a material adverse effect on our financial condition and results of operations or the investment by non-PRC investors in us.

***Restrictions on currency exchange may limit our ability to receive and use our revenue effectively.***

Because substantially most of our revenue is denominated in RMB, restrictions on currency exchange may limit our ability to use revenue generated in RMB to fund any business activities we may have outside China or to make dividend payments to our shareholders and ADS holders in U.S. dollars. The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended. Under these rules, RMB is freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loan or investment in securities outside China unless the prior approval of SAFE is obtained. Although the PRC government regulations now allow greater convertibility of RMB for current account transactions, significant restrictions still remain. For example, foreign exchange transactions under our subsidiaries capital accounts, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls. These limitations could affect our ability to obtain foreign exchange for capital expenditures. We cannot be certain that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of RMB, especially with respect to foreign exchange transactions.

***Fluctuations in the value of the RMB may have a material adverse effect on your investment.***

The change in value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China’s political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. It is difficult to predict how the RMB exchange rates may change in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant adjustment of the RMB against the U.S. dollar.



Any significant revaluation of the RMB may have a material adverse effect on the value of, and any dividends payable on, our ADSs in foreign currency terms. More specifically, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. To the extent that we need to convert U.S. dollars denominated financial assets into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Consequently, appreciation or depreciation in the value of the RMB relative to the U.S. dollar could materially adversely affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

***Recent PRC regulations relating to offshore investment activities by PRC residents and employee stock options granted by overseas-listed companies may increase our administrative burden, restrict our overseas and cross-border investment activity or otherwise adversely affect the implementation of our acquisition strategy. If our shareholders who are PRC residents, or our PRC employees who are granted or exercise stock options, fail to make any required registrations or filings under such regulations, we may be unable to distribute profits and may become subject to liability under PRC laws.***

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Off-shore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an off shore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or off shore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC resident holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the off-shore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. SAFE promulgated the Notice of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, or SAFE Circular 13, on February 13, 2015, which was effective on June 1, 2015. SAFE Circular 13 cancels two administrative approval items: foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, instead. Banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and SAFE and its branch shall indirectly regulate the foreign exchange registration of direct investment through banks.

We cannot provide any assurances that all of our shareholders who are PRC residents will comply with these SAFE regulations. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in the SAFE regulations may subject our PRC subsidiaries to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends to or obtain foreign-exchange denominated loans from our company.

As it is uncertain how the SAFE regulations will be interpreted or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and obtaining foreign currency denominated borrowings, which may harm our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the SAFE regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

On February 15, 2012, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad, or the No. 7 Notice, which supersedes the Operation Rules on Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule, in its entirety and immediately became effective upon circulation. According to the No. 7 Notice, domestic individuals, which include any directors, supervisors, senior managerial personnel or other employees of a domestic company who are Chinese citizens (including citizens of Hong Kong, Macao and Taiwan) or foreign individuals who consecutively reside in the territory of the PRC for one year, who participate in the same equity incentive plan of an overseas-listed company shall, through the domestic companies they serve, collectively entrust a domestic agency to handle issues like foreign exchange registration, account opening, funds transfer and remittance, and entrust an overseas institution to handle issues like exercise of options, purchasing and sale of related stocks or equity, and funds transfer. As an overseas publicly listed company, we and our employees who have been granted stock options or any type of equity awards may be subject to the No. 7 Notice. If we or our employees who are subject to the No. 7 Notice fail to comply with these regulations, we may be subject to fines and legal sanctions. See "Item 4.B — Information on the Company — Business Overview — Regulation—SAFE regulations on employee share options."

***The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by off shore special purpose vehicles may subject the combined company to severe fines or penalties and create other regulatory uncertainties regarding the combined company's corporate structure.***

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (“CSRC”), promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors (“M&A Rules”), which became effective on September 8, 2006 and was amended by the MOFCOM on June 22, 2009. The M&A Rules, among other things, has certain provisions that require off-shore companies formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals and companies which are the related parties with the PRC domestic companies, to obtain the approval of MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing special purpose vehicles’ securities on an overseas stock market. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

There remains some uncertainty as to how this regulation will be interpreted or implemented in the context of an overseas offering. If the MOFCOM, CSRC or another PRC regulatory agency subsequently determines that the MOFCOM, CSRC approvals were required for our listings, we may face sanctions by the MOFCOM, CSRC or another PRC regulatory agency. If this happens, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from our listings into the PRC, restrict or prohibit payment or remittance of dividends by our PRC subsidiaries to us or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ordinary shares.

***PRC laws and regulations have established more complex procedures for certain acquisitions of Chinese companies by foreign investors, which could make it more difficult for the combined company to pursue growth through acquisitions in China.***

M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Further to the M&A Rules, the Anti-monopoly Law of the PRC, the Rules of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Rules, was promulgated by MOFCOM in August 2011, which establishes additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC enterprise, or that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review and/or security review. The MOFCOM Security Review Rules, effective from September 1, 2011, which implements the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, further provides that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through agreements control or off shore transactions. Further, if the business of any target company that the combined company seek to acquire falls into the scope of security review, the combined company may not be able to successfully acquire such company either by equity or by asset acquisition, capital contribution or through any VIE Agreement. The combined company may grow its business in part by acquiring other companies operating in its industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approvals from MOFCOM, may delay or inhibit its ability to complete such transactions, which could affect its ability to maintain or expand its market share.

***Labor laws in the PRC may adversely affect our results of operations.***

On June 29, 2007, the PRC government promulgated a labor law, namely the Labor Contract Law of the PRC, or the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law imposes greater liabilities on employers and significantly affects the cost of an employer’s decision to reduce its workforce. Further, it requires certain terminations be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially adversely affecting our financial condition and results of operations.

***We are dependent on the renewal and maintenance of Title IV programs.***

The Higher Education Act, which is the law authorizing Title IV programs, is subject to periodic reauthorization. Congress completed the most recent reauthorization through multiple pieces of legislation and may reauthorize the HEA in a piecemeal manner in the future. Additionally, Congress determines the funding level for each Title IV program on an annual basis. Any action by Congress that significantly reduces funding for Title IV programs or the ability of our school or students to participate in these programs could materially harm our business. A reduction in government funding levels could lead to lower enrollments at our school and require us to arrange for alternative sources of financial aid for our students. Lower student enrollments or our inability to arrange such alternative sources of funding could adversely affect our business.

***We are subject to compliance reviews, which, if they resulted in a material finding of noncompliance, could affect our ability to participate in Title IV programs.***

Because we operate in a highly regulated industry, we are subject to compliance reviews and claims of noncompliance and related lawsuits by government agencies, accrediting agencies, and third parties, including claims brought by third parties on behalf of the federal government. For example, the Department of Education regularly conducts program reviews of educational institutions that are participating in Title IV programs, and the Office of Inspector General of the Department of Education regularly conducts audits and investigations of such institutions. The Department of Education could limit, suspend, or terminate our participation in Title IV programs or impose other penalties such as requiring us to make refunds, pay liabilities, or pay an administrative fine upon a material finding of noncompliance.

For the year ended December 31, 2020, no material isolated issues were found during regulatory reviews of our U.S. Colleges.

***If we fail to maintain any of our state authorizations, we would lose our ability to operate in that state and to participate in Title IV programs in that state.***

Our U.S. colleges must be authorized to operate by the appropriate postsecondary regulatory authority in each state in which the institution is located. Campuses of our U.S. colleges are authorized to operate and grant degrees, diplomas, or certificates by the applicable education agency of the state in which each such campus is located. Such state authorization is required for students at the campus to participate in Title IV programs. The loss of state authorization would, among other things, render the affected institution ineligible to participate in Title IV programs, at least at those state campus locations, and otherwise limit that school's ability to operate in that state. Loss of authorization in one or more states could increase the likelihood of additional scrutiny and potential loss of operating and/or degree-granting authority in other states in which we operate, which would further impact our business. If these pressures and uncertainty continue in the future, or if one or more of our institutions are unable to offer programs in one or more states, it could have a material adverse impact on our enrollment, revenue, results of operations, and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

***Our failure to comply with the Department of Education's incentive compensation rules could result in sanctions and other liability.***

If we pay a bonus, commission, or other incentive payment in violation of applicable Department of Education rules or if the Department of Education or other third parties interpret our compensation practices as such, we could be subject to sanctions or other liability, which could have a material adverse effect on our business.

***Our failure to comply with the Department of Education's misrepresentation rules could result in sanctions and other liability.***

The Higher Education Act prohibits an institution that participates in Title IV programs, its employees and agents from engaging in "substantial misrepresentation" of the nature of its educational program, its financial charges, or the employability of its graduates. These regulations may, among other things, subject us to sanctions for statements containing errors made to non-students, including any member of the public, impose liability on us for the conduct of others and expose us to liability even when no actual harm occurs. A "substantial misrepresentation" is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. We may face complaints from students and prospective students over statements made by us and our agents in advertising and marketing, during the enrollment, admissions and financial aid process, and throughout attendance at any of our US colleges, which would expose us to increased risk of enforcement action and applicable sanctions or other penalties.

In the event of substantial misrepresentation, the Department of Education may revoke an institution's program participation agreement, limit the institution's participation in Title IV programs, deny applications from the institution, such as to add new programs or locations, initiate proceedings to fine the institution or limit, suspend, or terminate its eligibility to participate in Title IV programs, a requirement to post a substantial letter of credit. If the Department of Education or other third parties interpret statements made by us or on our behalf to be in violation of the new regulations, any of the foregoing actions could have a material adverse effect on our business, financial condition, results of operations, and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

***Our failure to comply with the Department of Education’s credit hour rule could result in sanctions and other liability.***

Effective July 1, 2011, Title IV regulations define the term “credit hour” and require accrediting agencies and state authorization agencies to review the reliability and accuracy of an institution’s credit hour assignments. If an accreditor does not comply with this requirement, its recognition by the Department of Education could be jeopardized. If an accreditor identifies systematic or significant noncompliance in one or more of an institution’s programs, the accreditor must notify the Secretary of Education. If the Department of Education determines that an institution is out of compliance with the credit hour definition, the Department of Education could impose liabilities or other sanctions, which could have a material adverse effect on our business, financial conditions, results of operations, and cash flows and result in the imposition of significant restrictions on us and our ability to operate.

***We are subject to sanctions if we fail to calculate accurately and make timely payment of refunds of Title IV program funds for students who withdraw before completing their educational program.***

The Higher Education Act and Department of Education regulations require us to calculate refunds of unearned Title IV program funds disbursed to students who withdraw from their educational program before completing it. If refunds are not properly calculated or timely paid, we may be required to post a letter of credit with the Department of Education or be subject to sanctions or other adverse actions by the Department of Education, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

***Investigations, legislative and regulatory developments, and general credit market conditions related to the student loan industry may result in fewer lenders and loan products and increased regulatory burdens and costs.***

The Higher Education Act regulates relationships between lenders to students and post-secondary education institutions. In 2009, the Department of Education promulgated regulations that address these relationships, and state legislators have also passed or may be considering legislation related to relationships between lenders and institutions. In addition, new procedures introduced and recommendations made by the Consumer Financial Protection Bureau create uncertainty about whether Congress will impose new burdens on private student lenders. These developments, as well as legislative and regulatory changes, such as those relating to gainful employment and repayment rates, creating uncertainty in the industry and general credit market conditions, may cause some lenders to decide not to provide certain loan products and may impose increased administrative and regulatory costs. Such actions could reduce demand for, and/or availability of private education loans, decrease U.S. college’s non-Title IV revenue, and thereby increase their 90/10 ratio, and have a material adverse effect on our business.

***Enforcement of laws related to the accessibility of technology continues to evolve, which could result in increased information technology development costs and compliance risks.***

Our U.S. colleges’ online education programs are made available to students through personal computers and other technological devices. For each of these programs, the curriculum makes use of a combination of graphics, pictures, videos, animations, sounds, and interactive content. Federal agencies, including the Department of Education and the Department of Justice, have considered or are considering how electronic and information technology should be made accessible to persons with disabilities. For example, Section 504 of the Rehabilitation Act of 1973, or Section 504, prohibits discrimination against a person with a disability by any organization that receives federal financial assistance. The Americans with Disabilities Act, or the ADA, prohibits discrimination based on disability in several areas, including public accommodations. In 2010, the Department of Education’s Office for Civil Rights, which enforces Section 504, together with the Department of Justice, asserted that requiring the use of technology in a classroom environment when such technology is inaccessible to individuals with disabilities violates Section 504, unless those individuals are provided accommodations or modifications that permit them to receive all the educational benefits provided by the technology in an equally effective and integrated manner. If our U.S. colleges are found to have violated Section 504, it may be required to modify existing content and functionality of its online classroom or other uses of technology, including through adoption of specific technical standards. As a result of such enforcement action, or as a result of new laws and regulations that require greater accessibility, our U.S. colleges may have to modify its online classrooms and other uses of technology to satisfy applicable requirements, which could require substantial financial investment. As with all nondiscrimination laws that apply to recipients of federal financial assistance, an institution may lose access to federal financial assistance if it does not comply with Section 504 requirements. In addition, private parties may file or threaten to file lawsuits alleging failure to comply with laws that prohibit discrimination on the basis of disability, such as the ADA, and defending against such actions may require our U.S. colleges to incur costs to modify its online classrooms and other uses of technology and costs of litigation.

***We may not be able to pay any dividends on our Class A ordinary shares and, correspondingly, the ADSs.***

Under China law, we may only pay dividends subject to our ability to service our debts as they become due and provided that our assets will exceed our liabilities after the dividend. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits.

We can give no assurance that we will declare dividends of any amounts, at any rate or at all in the future. Our historical dividend payments are not indicative of the amount or timing of the payment of dividends that may be payable in the future and should not be used as a reference or basis to determine the amount of such dividends. The declaration of future dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements, general financial conditions, legal and contractual restrictions and other factors that our board of directors may deem relevant.

***If we cease to qualify as a foreign private issuer, we would be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we would incur significant legal, accounting and other expenses that we would not incur as a foreign private issuer.***

As a foreign private issuer, we are exempt from the rules under the Securities Exchange Act of 1934, or the Exchange Act, prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. domestic issuers, and we are not required to disclose in our periodic reports all of the information that U.S. domestic issuers are required to disclose. While we currently qualify as a foreign private issuer, we may cease to qualify as a foreign private issuer in the future. If we do not qualify as a foreign private issuer, we will be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we will incur significant legal, accounting and other expenses that we would not incur as a foreign private issuer.

***We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequence to U.S. holders of our ADSs or ordinary shares.***

We believe we were not a “passive foreign investment company”, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2020. However, a separate determination must be made each year as to whether we are a PFIC (after the close of each taxable year) and we cannot assure you that we will not be a PFIC for the year ending December 31, 2021 or any future taxable year. A foreign (non-U.S.) corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) or least 50% of the value of its assets (generally based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. PFIC status depends on the composition of our assets and income and the value of our assets (including, among others, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least 25% (by value) of the equity interest) from time to time. Because we currently hold, and expect to continue to hold, a substantial amount of cash or cash equivalents, which are generally treated as passive assets, and, because the calculation of the value of our assets may be based in part on the value of our ADSs, which is likely to fluctuate, we may be a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which a U.S. Holder (as defined in the section entitled “Taxation – U.S. Federal Income Taxation – General”) held an ADS or an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See “Item 10.E—Taxation—United States federal income taxation—Passive foreign investment company.”

***The laws of the Cayman Islands may not provide our shareholders with benefits comparable to those provided to shareholders of corporations incorporated in the United States.***

Our corporate affairs are governed by our Sixth Amended and Restated Memorandum and Articles of Association, by the Companies Law (as amended) of the Cayman Islands and by the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law in the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands and from English common law. Decisions of the Privy Council (which is the final Court of Appeal for British overseas territories such as the Cayman Islands) are binding on a court in the Cayman Islands. Decisions of the English courts, and particularly the House of Lords and the Court of Appeal are generally of persuasive authority but are not binding in the courts of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands have a less developed body of securities laws relative to the United States. Therefore, our public shareholders may have more difficulty protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States. The Cayman Island courts are also unlikely to impose liability against us, in original actions brought in the Cayman Islands, based on certain civil liabilities provisions of U.S. securities laws. See “Item 10.B—Additional Information—Memorandum and Articles of Association.”

***It may be difficult for you to enforce any judgment obtained in the United States against our company, which may limit the remedies otherwise available to our shareholders.***

Most of our current operations are conducted in China. A majority of our directors and officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these directors and officers in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. While there is no binding authority on this point, this is likely to include, in certain circumstances, a non-penal judgment of a United States court imposing a monetary award based on the civil liability provisions of the U.S. federal securities laws. The Grand Court of the Cayman Islands (“the Court”) may stay proceedings if concurrent proceedings are being brought elsewhere. Moreover, the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against us or our officers, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

***The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote the ordinary shares underlying your ADSs.***

Holders of our ADSs will only be able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will vote the underlying ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you withdraw the shares. Under our Sixth Amended and Restated Memorandum and Articles of Association, the minimum notice period required for convening a shareholder meeting is ten days. When a shareholder meeting is convened, you may not receive sufficient advance notice to withdraw the ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depository will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

***Holders of our ADSs may not be able to participate in rights offerings and may experience dilution of your holdings as a result.***

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depository will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in rights offerings we make and may experience dilution in their holdings as a result.

***Holders of our ADSs may not receive distributions on our ordinary shares or any value for them if such distribution is illegal or if any required government approval cannot be obtained in order to make such distribution available to you.***

The depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depository is not responsible if it decides that it is unlawful or impractical 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 under an applicable exemption from registration. The depository may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depository may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

Our founder, Dr. Jin Huang, established Ambow Corporation, a California company, in 2000. From 2000 through January 2005, our business was conducted through (1) Beijing Ambow Online Software Co., Ltd., or Ambow Online, which was established as a wholly foreign owned enterprise under the laws of the PRC in 2000 by Ambow Corporation, and (2) Beijing Shida Ambow Education Technology Co., Ltd., or Ambow Shida, a limited liability company established under the laws of the PRC in 2004, which was initially operated as a joint venture among Ambow Technology Company Limited, or Ambow Technology, Jianguo Xue, Xiaogang Feng, Xuejun Xie and Beijing Normal University Tech-Zone Technology Development Co., Ltd.

In May 2005, our prior holding company, AMBOW EDUCATION CO., LTD., or AECL, which was formed in January 2005 as an exempted company incorporated with limited liability under the laws of the Cayman Islands, acquired 100% of the outstanding equity interests in Ambow Online from Ambow Corporation. In April 2010, AECL transferred the 100% outstanding equity interest in Ambow Online to Ambow Education Management.

Through a series of transfers in May 2005 and December 2008, Ambow Technology, Xiaogang Feng and Beijing Normal University Tech-Zone Technology Development Co., Ltd. transferred all their equity interest in Ambow Shida to Xuejun Xie so that Xuejun Xie and Jianguo Xue currently own 100% of the equity interest in Ambow Shida.

Our current holding company, Ambow, an exempted company incorporated with limited liability under the laws of the Cayman Islands, was established in June 2007. On July 18, 2007, Ambow entered into a share exchange agreement with AECL and its shareholders. Pursuant to this share exchange agreement, (1) all shareholders of AECL exchanged their shares in AECL for shares in Ambow, and (2) AECL became a wholly-owned subsidiary of Ambow.

Following the share exchange described above, we also established certain wholly-owned subsidiaries in Hong Kong, including Ambow Education Management and Ambow Education (Hong Kong) Limited. In furtherance of our business development in China, a number of PRC domestic companies were also incorporated in a number of cities. From January 2005 until now, we have conducted our education business in China primarily through contractual arrangements among our subsidiaries in China and our VIEs.

From 2008 to 2012, we made a total of 31 separate acquisitions through business combinations and one acquisition of long-term operating rights. From 2008 to 2020, in response to business development, we established a series of new subsidiaries and branch companies, and completed disposal and deregistration procedures of certain subsidiaries and branch companies in China, including Ambow Online.

We established IValley on March 13, 2017. IValley is a VIE of Ambow Education Management. We established IValley Beijing Technology Co. Ltd. (“IValley Beijing”) on September 15, 2017. IValley Beijing is a wholly owned subsidiary of IValley. IValley Beijing’s business is to design, purchase, modify and integrate electronic equipment and devices, and develop mobile APP, performed by engineers and IT development and operational personnel, for end users to utilize office facilities, manage resources and administrative matters.

We established Ambow BSC Inc. on February 14, 2017. Ambow BSC Inc. is a 100% subsidiary of us. On November 20, 2017, Ambow BSC Inc. acquired 100% of the outstanding shares of common stock of Bay State College Inc. Bay State College Inc. is a Massachusetts corporation that owns and operates Bay State College, a higher education institution offering career-focused post-secondary educational services with Associates and Bachelor's programs in Business, Information Technology, Healthcare, Criminal Justice and Fashion. Bay State College was founded in 1946, is accredited by the New England Association of Schools and Colleges, Commission on Institutions of Higher Education and eligible to participate in federal student aid programs under Title IV of the U.S. Higher Education Act. Bay State College's academic programs are delivered at its main campus in Boston, Massachusetts, a branch campus in Taunton, Massachusetts and online.

In June 2018, we completed a public offering of 2,070,000 ADSs at US\$4.25 per ADS. Each ADS represents two Class A ordinary shares of the Company. On June 1, 2018, our ADSs commenced trading on the NYSE American under the symbol "AMBO".

We established Ambow NSAD Inc. on May 8, 2019. On March 6, 2020, Ambow NSAD Inc. acquired 100% of the members' interest of NewSchool. NewSchool is a for-profit institution of higher education based in San Diego, California, with Bachelor and Master programs in Architecture, Construction management, Product Design, Graphic Design & Interactive Media, and Interior Architecture and Design. NewSchool is regionally accredited by Western Association of Schools and Colleges Senior College and University Commission and eligible to participate in federal student aid programs under Title IV of the U.S. Higher Education Act. Refer to Note 23- Acquisition to the audited consolidated financial statements for further information.

On October 5, 2020, we completed the issuance of 1,507,538 ADSs (representing 3,015,076 Class A Ordinary Shares), at a purchase price of \$3.98 per ADS, in a registered direct offering.

### **Joint Provisional Liquidators ("JPLs") appointment and dismissal**

In 2012, two former employees of the company made allegations of financial impropriety and wrongful conduct in connection with the company's prior year acquisitions of training schools. The Audit Committee of the Board of Directors of the company determined that it would conduct an internal investigation to thoroughly review these allegations. This investigation was conducted with the assistance of independent outside counsel.

On June 7, 2013, JPLs were appointed as provisional liquidators of the company by the Cayman Court following the filing of a winding up petition by GL Asia Mauritius II Cayman Limited (the "Petitioner").

On September 23, 2013, the JPLs formed a committee comprising creditors and shareholders of the company (the "Stakeholder Committee"). On November 13, 2013, the Cayman Court sanctioned the recommencement of the Audit Committee Investigation following an application, which was brought by the JPLs with the support of the members of the Stakeholder Committee. Engagement letters were subsequently finalized with DLA Piper LLP ("DLA") and Deloitte Financial Advisory Services LLP ("Deloitte") to complete the Audit Committee Investigation, with the assistance of third party funding which the JPLs negotiated on the company's behalf.

On February 20, 2014, the JPLs received the report on the Audit Committee Investigation from DLA. In summary, this report concluded that there was insufficient evidence to substantiate the allegations as to questionable or inappropriate conduct, which had been made against the directors, officers and employees of the company. However, the report advised that the company's corporate governance structure needed improvement. Shortly after receiving this report, the JPLs re-commenced negotiations with parties who had previously expressed an interest in providing long term funding to the company.

Upon the satisfaction of conditions and deliverables under the restructuring agreement and associated agreements to implement the core parts of the restructuring plan sanctioned by the Cayman Court pursuant to its order dated May 7, 2014 (the "Restructuring Plan"), the Court approved the return of management to our Board of Directors (as reconstituted pursuant to the Restructuring Plan).

The JPLs appointment has caused significant disruptions to the operations of the company. The company has since enhanced its corporate governance structure and internal control procedures. It is quite likely that the company is able to realize certain financial gains from its previous business with the strengthening of the company's operations policy and procedures in the near future.

As of December 31, 2020, our Board consists of five members: Dr. Jin Huang, Mr. Justin Chen, Mr. Ping Wu, Mr. John Porter and Dr. Yanhui Ma.

### **Principal Executive Office**

Our principal executive offices are located at 12th Floor, Tower 1, Financial Street, Chang'an Center, Shijingshan District, Beijing 100043, People's Republic of China. Our telephone number at this address is +86 (10) 6206-8000. Our registered office of the Cayman Islands companies is Walkers (Hong Kong), 15th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. Our telephone number at this address is +852 2596-3428.

### **Where You Can Find More Information**

The SEC maintains an Internet site that contains reports filed by Ambow at [www.sec.gov](http://www.sec.gov).



## **B. Business Overview**

Our business addresses three critical demands in China's education market: students' aspirations to be admitted into top secondary and post-secondary schools, the desire for graduates of those schools to obtain more attractive jobs and the need for schools and corporate clients to optimize their teaching and operating environment. We offer high quality, individualized services and products through our integrated online and offline delivery model powered by our proprietary technologies and infrastructure.

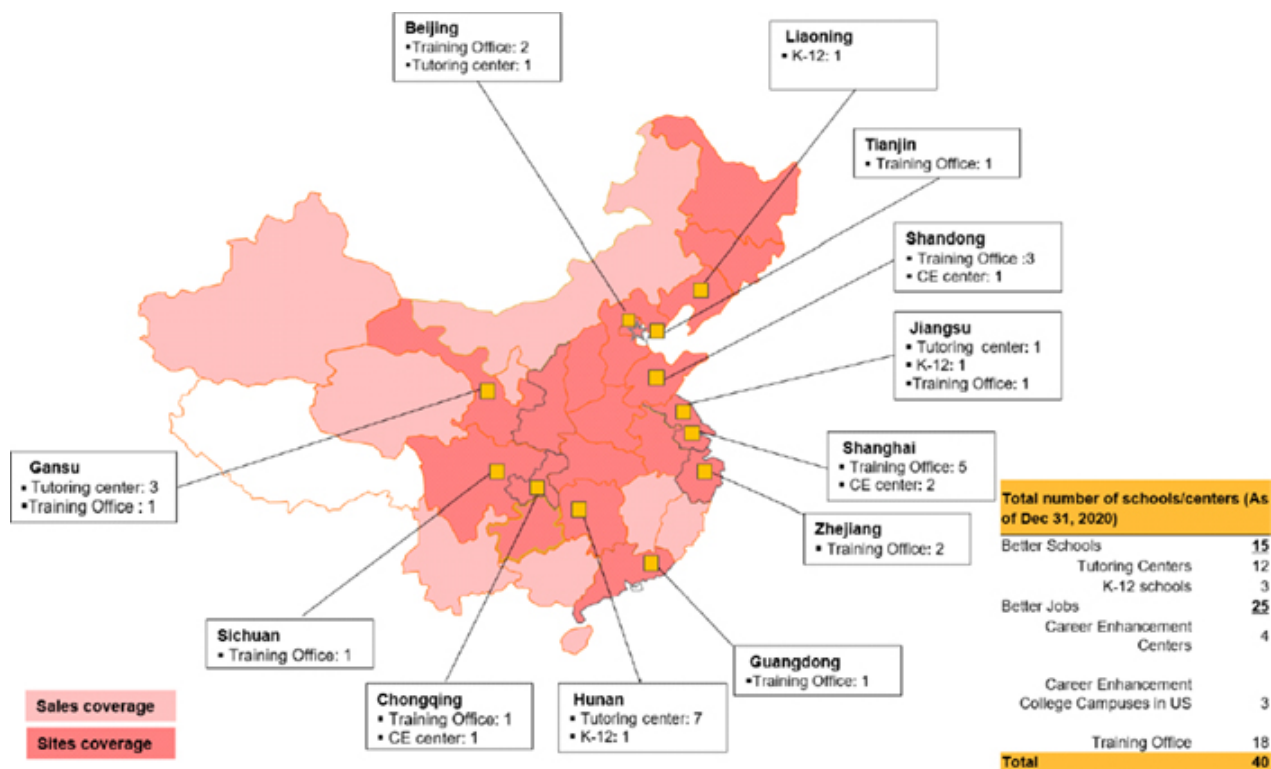
We have two reportable segments, which are K-12 Schools, and CP&CE Programs. Our tutoring centers, training offices, career enhancement centers and college campuses are within the CP&CE Programs segment.

We currently deliver a wide range of educational and career enhancement services and products through integrated offline and online channels in an interactive learning environment, which is powered by our proprietary technology platform, enabling us to provide individualized content and learning solutions tailor-made to each of our students' needs and develop standards-based and individualized curricula with consistent high-quality across our schools, tutoring centers, career enhancement centers, training offices and career enhancement college.

As of December 31, 2020, we had a total of 40 learning centers and schools, including:

- 3 directly-operated K-12 schools
- 12 tutoring centers
- 18 training offices
- 4 career enhancement centers
- 3 career enhancement college campuses (in U.S.)

The following map sets forth the service coverage and the geographic coverage of our K-12 schools, tutoring centers, career enhancement centers, campuses and training offices in mainland China as of December 31, 2020:



Revenues from our K-12 Schools segment accounted for 52.3%, 53.7% and 54.8% of our total net revenues in the fiscal years of 2018, 2019 and 2020, respectively. Revenues from our CP&CE Programs accounted for 47.7%, 46.3% and 45.2% of our total net revenues in 2018, 2019 and 2020, respectively. We recorded total net revenues of RMB 531.5 million, RMB 583.9 million and RMB 532.0 million (US\$ 81.5 million) in 2018, 2019 and 2020, respectively.

## Our services and products

We offer a variety of educational and career enhancement services and products to students, recent graduates, corporate employees and management professionals in China. Our educational services cover K-12 programs and tutoring services that provide test preparation and tutoring programs, which are offered in our tutoring centers as part of our primary educational services and product offerings to help students enroll in better schools. Our K-12 schools also help to support our tutoring programs by providing strong local brand names and reputations, local educational content expertise and potential student customers. In addition, we offer international education programs, which are designed to prepare students to study abroad while specifically addressing their study needs in terms of both language and academics. Our career enhancement services designed to assist students and graduates obtain better jobs are offered through our dedicated career enhancement centers and training offices on campus, as well as through our online programs. Our corporate training services that are designed to improve employees' and management's soft skills are typically offered in our training offices, the corporate clients' offices or hotel conference centers. In order to support our educational and career enhancement services and products, we provide a cloud-based learning engine to accommodate our students' individual learning habits and enrich their learning experience. We also offer career-oriented post-secondary educational services to undergraduates through Bay State College and NewSchool in U.S.

### K-12 Schools

Our K-12 Schools segment provides educational services for K-12 programs. We have three directly-operated K-12 schools located in the Hunan province in central China, the Liaoning province in northeast China and, the Jiangsu province in eastern China, all of which are accredited by the Chinese Ministry of Education. As of December 31, 2020, there were approximately 1,200 full-time teaching faculty and support staff supporting over 16,000 students.

Our K-12 schools provide full-subject national curricula, including mathematics, language, history, sciences and arts. Students are required to take our admission tests to enroll in our K-12 schools. To graduate from our K-12 schools, students must pass the exams required by the local MOE, upon which, they will earn a certificate recognized by the local public school system. Our international education programs provide curricula mandated by the PRC regulatory authorities and additionally, curricula focused on preparing students to study abroad. We intend to enhance our international education programs to cater to students' growing demand to study abroad, while addressing the study needs of students in terms of both language and academics.

#### *CP&CE Programs*

Our CP&CE Programs offer tutoring services and career development services.

Our tutoring centers are designed to help students perform better in school and prepare for important tests, specifically high school and university entrance exams, namely ZhongKao and GaoKao in China. In addition to our classroom-based teaching services, we offer educational curriculum on our web-based applications, allowing our students access to our tutoring services from anywhere at any time. Powered by our proprietary cloud-based "learning engine", our web-based applications feature a variety of functions such as online video classes, practice questions, discussion forums and prior actual tests. Our educational software products include eBoPo (meaning "energy and impact" in Chinese), which offers full subjects, online practice tests and instructions for K-12 level students. Our web-based applications complement our in-person classes and offer individualized services and tailored content based on each student's specific learning needs. Our tutoring centers offer classroom instruction, small class and one-on-one tutoring.

Our career enhancement services focus on undergraduates and recent graduates of universities and colleges, as well as employees and managers at businesses and corporations. We are the premium brand in China's educational and career enhancement services market, notable for helping undergraduates and recent graduates enhance their practical job skills and improve their competitive positioning. Our career enhancement programs are mainly offered through our physical career enhancement service networks, which are strategically located in key economic centers across China where there is a high concentration of companies in high-growth industries.

Our Genesis Career Enhancement ("Genesis") business provides outbound and in-house management training for corporate clients. These corporate training programs are jointly designed with our corporate partners to specifically tailor-make training for their employees. We have provided training services to approximately 4,000 corporate clients. Genesis has 18 training offices across China and more than 120 professional trainers as of December 31, 2020.

We operate three-year polytechnic joint programs and four-year degree joint programs with universities and colleges to provide career enhancement services to students, primarily focusing on majors related to computer software outsourcing management. Under the joint programs, we provide and update courseware content, recruit and provide highly qualified teachers, as well as offer job placement channels. Our partnering universities and colleges ensure student enrollment, provide teaching facilities, and offer program degrees. As such, the joint programs draw a large base of customers to whom we can offer our services and products. Certain courses or classes from the joint programs take place at our career enhancement centers and campus, and our students can also earn credits towards the degree programs from these courses or classes.

Our career enhancement centers currently focus on IT majors, including software engineering, graphic design, digital media, communication technology, big data analysis and Internet technology. The curriculum provides students with hands-on training in professional skills, including case studies, job environment simulation and specific technical skills needed to succeed in jobs, as well as "soft skills" training, including courses on time management, presentation, leadership and interview techniques. We design our career enhancement curriculum based on a deep understanding of target industries and actual recruiting needs of the employers. In addition, we intend to partner with universities and establish joint colleges to offer educational and training programs to extend our current career enhancement curriculum to additional subject areas.

On November 20, 2017, we acquired Bay State College, a higher education institution offering career-focused post-secondary education with Associates and Bachelor's programs in Business, Information Technology, Healthcare, Criminal Justice and Fashion. On March 6, 2020, we acquired NewSchool. NewSchool is a for-profit institution for higher education and based in San Diego, California, with programs in Architecture, Construction management, Product Design, Graphic Design & Interactive Media, and Interior Architecture and Design.

In November 2018, we launched a new Cross-Border College Program between Chinese and U.S. colleges. This program allows Chinese students to receive a three-year diploma from a Chinese college, equivalent to an associate degree from a U.S. college, and continue with a two-year advanced education program at our U.S. colleges.

In August 2020, we launched a brand-new online-to-offline education platform called Huanyujun Education Hub ("Huanyujun"), which consists of education institutions/teachers, students and shared classrooms, integrates online resources, such as panoramic live streaming, with offline resources, referred to physical classrooms and teachers hereof. A number of international career education, vocational training and certificate courses and programs signed up the Huanyujun, including those provided by our strategic partners, such as Amazon, Cisco and the Global Career Quality Assurance.

We initiated a new business to provide intellectualized operational services to corporate clients, colleges and universities from the year of 2017. Our intellectualized operational services integrate electronic equipment and devices with software applications, data analytics and wireless technology to transform operational networks by enhancing efficiency, lowering costs and improving experiences. The services consist of advisory services such as design and architecture, implementation services such as hardware deployment and application development, as well as optimization services. The services aim to leverage smart technologies to enhance the management experience with facilities, lighting, security, and staff. We developed mobile applications for users to punch time clocks, open and close lockers, open and close office gates, turn on and off lights and air conditioners, set up remote visual conferences and manage other office administrative services through the applications.

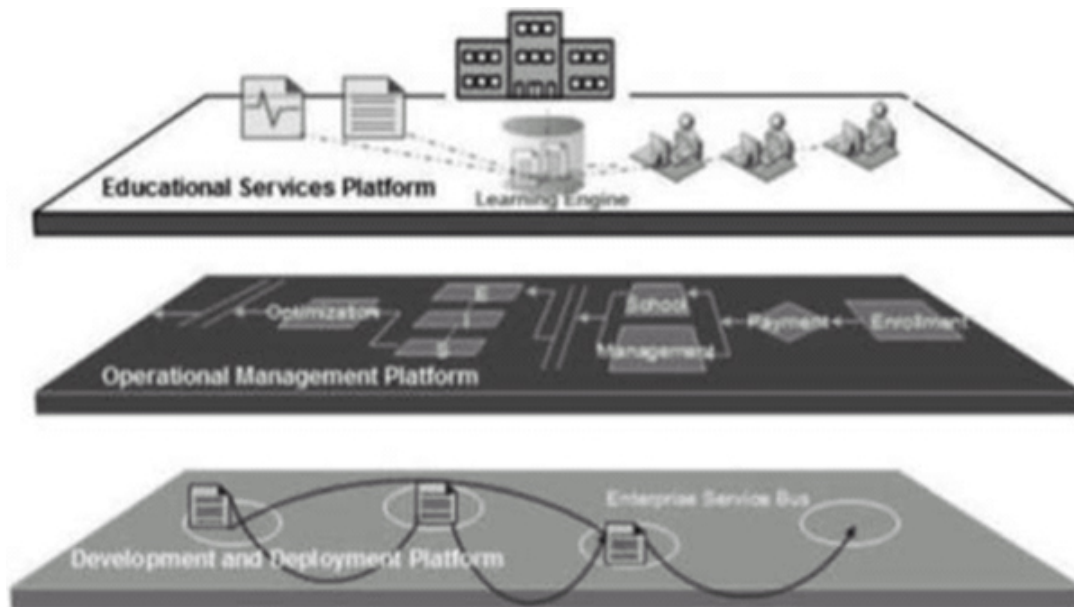
Intelligent technology is changing education as students are no longer restricted by the traditional learning environment. Intelligent campuses and classes are becoming the trend leading to efficiency improvement, cost savings and enhanced experiences for students and staff. We will proactively introduce our intellectualized operational services to more universities and colleges to provide students access to educational resources regardless of location or device, increasing the potential for learning and teaching through cooperation with peers and experts worldwide and optimizing facilities to create a sustainable campus.

### **Student recruitment and retention**

We employ a variety of marketing and recruiting methods to attract students and increase enrollment in our learning centers and schools. We recruit students to our tutoring centers and K-12 schools from local areas near these centers and schools while recruiting students to our career enhancement centers nationally throughout China. We recruit returning students from our tutoring centers and K-12 schools to our career enhancement programs by leveraging our vast student and corporate resources. We believe prospective students are attracted to our learning centers and schools due to our strong brand name, innovative teaching and learning models and practices, and high-quality, individualized services. Our proprietary cloud-based learning engine technology combined with offline teacher instruction ensures that students receive individualized orientation, instruction and progress assessment in a student-centered environment. By analyzing the accumulated data stored in each student's learning records, our learning engine optimizes learning strategies and methods, and provides personalized educational content for each student. The longer and more frequently a student uses our services and products, the more effective and efficient services and content we are able to provide, thus enhancing students' stickiness to utilize our services throughout their learning cycle. Students in our tutoring centers and K-12 schools have significantly improved their results in ZhongKao and GaoKao exams and we believe this has enhanced our reputation and increased our word-of-mouth referrals in the markets that we participate in. Our career enhancement centers help students identify their career goals early in life and provide them with project-based training to improve their employment opportunities.

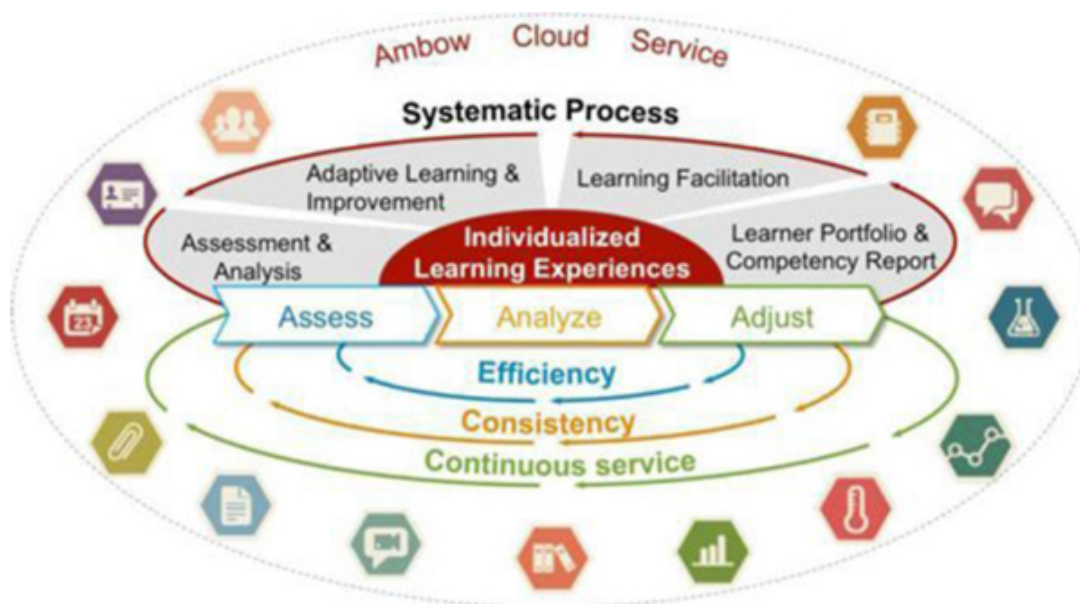
### **Our technology infrastructure**

We believe our proprietary technologies are one of our major strengths and we have devoted significant resources to the development of technologies for the delivery of our educational and career enhancement services. These include our educational services platform, operational management platform and development and deployment platform. The educational services platform is the backbone that supports our educational and career enhancement services and product offerings to our students. The operational management platform supports our internal management and administrative applications for tutoring centers, K-12 schools, career enhancement centers and joint college programs. The development and deployment platform support our educational services platform and operational management platform, standardizing the development of and communication among our IT products and applications.



**Educational services platform**

Our educational services platform is built around and driven by our core proprietary technology, the “Learning Engine.” Utilizing advanced Internet and multi-media technologies, the cloud-based learning engine enables us to embed educational materials and cognitive theories, including memory curve and competency model theories, into our interactive learning products and services, such as the “eBoPo” series for educational services and “Career GPS System” for career enhancement services. Our learning engine creates an environment in which personalized courses and instructions can be customized based on each student’s knowledge level, goals and learning needs. Our platform provides video streaming, PowerPoint and interactive testing functions via an open interface and multi-language channels. We have received a patent for our innovative Adaptive Computer-Assisted Learning System and Method platform from the United States Patent and Trademark Office, making us the first China-based education company to receive a U.S. patent in the field of adaptive learning methods.



### *Continued tracking*

As part of the cloud-based learning engine, our learning tracking system comprehensively records a student's progress and achievements throughout the learning cycle. The system assesses a student's knowledge and competency level at the beginning of the learning cycle, and continually monitors interactions between the student and our system, keeping the student's learning process and progress on file. The system is able to capture and memorize the way a student learns and then create a unique learning profile, which we refer to as each student's "Learning Passport." The system is also able to compare the student's current performance with past achievements, both at an individual and at a peer group level, which gives the student a clear understanding of his or her current learning status and helps them adapt accordingly with course materials and feedback.

### *Individualized learning experience to students*

Our interactive learning engine customizes each student's learning experience, then tracks and evaluates the learning performance as it happens. By leveraging our learning tracking system and analyzing the cumulated data stored in the Learning Passports, the learning engine can optimize learning strategies and methods and provide personalized education content, recursive exercise and study guidance for each student. The learning engine can set learning targets based on personal goals and requirements and adjust individual learning profiles and learning paths as it understands more about the student, delivering the appropriate learning materials to optimize the student's education outcome.

### *High quality*

Our personalized educational framework ensures that students receive high-quality educational experiences tailored to their individual needs. Our educational content and services are not linked to one teacher, but rather to many highly-qualified and experienced educational experts, who work closely with us to ensure that materials are of the highest quality and relevance for students. This means that wherever students live, in urban centers or rural villages across China, they are assured of the same high standard of resources and support at all times.

### **Operational management platform**

We have built up an operational management platform to integrate our key management and administrative functions. We are developing additional functionality within the platform to track operational information within our operating segments. This will allow us to have better period-to-period insights into the underlying drivers of our business within our distinct operating segments.

We have established an integrated service center to support our operations team by sharing resources across finance, human resources and IT departments. We also built up an Enterprise Resource Planning (ERP) system to standardize operating procedures. The establishment of the service center and the ongoing integration of our Company-wide ERP system and continued enhancements to our Standard Operating Procedure and transparent Vendor Evaluation System will provide an efficient platform to maximize internal resources, lower costs and integrate Standard Operating Procedures, while unifying the Ambow brand and corporate culture. In addition, we have integrated Internet of Things ("IoTs") technology into our facility modernization and development programs. This supports our intelligent classroom concept, boosts resource utilization efficiency and promotes greener energy usage.

### **Development and deployment platform**

Our research, development and deployment efforts are greatly facilitated by our Enterprise Service Bus, or ESB. As a widely-used software architecture, an ESB acts as a message broker between different business applications, reducing the number of point-to-point connections required to allow applications to communicate, which makes it easier to adapt a system to changes in one or more of its components. Through our standards-based ESB, our technology platform allows the rapid development and deployment of highly reliable, scalable and stable Internet-based cross-platform applications. We have also adopted the Model-View-Controller design pattern for our platform, which allows the layering of data, presentation and control modules, thereby making the system more nimble, robust and manageable. The adaptor between the data and control layers easily allows for the integration of our services and products with third-party systems.

### **Intellectual property**

We have developed our proprietary technology over the past decade. Our trademarks, copyrights, trade secrets and other intellectual property rights distinguish our services and products from those of our competitors, contributing to our competitive advantage in our target markets. To protect our brand and other intellectual property, we rely on a combination of trademark, copyright and trade secret laws as well as confidentiality agreements with our employees, contractors and others.

We have been awarded by the United States Patent and Trademark Office a patent (with No. US 8838016B2) for our innovative Adaptive Computer-Assisted Learning System and Method platform for enhancing learning outcomes. In 2020, we have already been approved and authorized in mainland China for 20 utility model patents and one design patent and owns 29 domestic invention patents under public announcement process. In addition, we have submitted applications for four U.S. patents and four Taiwan patents, of which, one utility model patent from Taiwan has already been awarded.

Our main website is [www.ambow.com](http://www.ambow.com). In addition, we have registered certain domain names, including [www.ambow.net](http://www.ambow.net). In addition to building “Ambow” as a stand-alone brand, we intend to continue to co-brand “Ambow” with the brands of our acquired schools and programs for the foreseeable future in order to fully leverage their established local presence and reputation.

We cannot be certain that our efforts to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate these rights. In addition, there can be no assurance that competitors will not independently develop similar intellectual properties. If others are able to copy and use our programs and services, we may not be able to maintain our competitive position. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving and could involve substantial risk to us. If litigation is necessary to enforce our intellectual property rights or determine the scope of the proprietary rights of others, we may have to incur substantial costs or divert other resources, which could harm our business.

### **Selling and marketing**

To promote our brands in the fragmented domestic education market, we selectively and systematically market our products and build our brand names through a number of different marketing programs. By doing so, we intend to continue to implement a standard corporate identity across all Ambow schools, tutoring centers, career enhancement centers and campuses. Our marketing efforts, which include national marketing by our corporate headquarters and local marketing by individual schools, tutoring centers, career enhancement centers and campus, focus primarily on:

- Sponsoring charity and social events and forums around key educational events to build up our corporate image as the most trustworthy, life-long education and career enhancement partner in China;
- Buying airtime on national and local media programs as well as advertising space on billboards and buses to raise the awareness of our educational and career enhancement services and programs;
- Hosting industry summits with key corporate partners and participating in prestigious education conferences and events;
- Partnering with local governments to provide positive support for local schools and the local job market; and
- Further enhancing the brand promotion through Internet search engines and mobile social media platform like Weixin, Toutiao, and Douyin to maintain close interactions with potential users.

### ***Partner schools and corporate entities***

We have business relationships with colleges and universities not directly owned or operated by us. Our direct partnerships are primarily with colleges and universities, which send their students to our career enhancement centers. These colleges and universities that we have direct partnerships with are under no contractual obligation to recommend our services or products. We also partner with corporate clients, including Fortune 500 enterprises, which send their employees to our career enhancement centers for training purposes.

### **Competition**

The educational and career enhancement services market in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We face direct competition in each geographic market and each business segment in which we operate, though no single competitor operates in all of our business segments. The competition in our tutoring programs is from other education companies, and in our K-12 schools is from both public and private schools. To date, we have not faced significant, direct competition in our career enhancement centers, but we expect this to change as companies have begun to enter this market. We believe that the principal competitive factors in our markets include the following:

- Alignment of individualized programs, services and products to specific needs of students, parents, educators and employers;
- Overall customer experience;
- Scope and quality of program, service and product offerings;
- Proximity of services to the customers;
- Brand recognition and reputation of service providers; and
- Ability to effectively market programs, services and products to a broad base of prospective students.

We believe that our primary competitive advantages are our well-known “Ambow” brand in K-12 education and career enhancement services in China. Our core proprietary technology, “Learning Engine” is unique to the education service industry. Receiving a patent for our innovative Adaptive Computer-Assisted Learning System and Method platform from the United States Patent and Trademark Office has made us the first China-based education company to receive a U.S. patent in the field of adaptive learning methods. We are also recognized by our ability to deliver standards-based, individualized curriculum with consistently high quality across our schools, tutoring centers, training offices, career enhancement centers and campus. However, some of our existing and potential competitors may have more resources than we do. These competitors may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in customer demands, market needs or new technologies. In addition, we face competition from many different organizations that focus on some of our targeted markets, which may be more responsive to changes in student preferences in these markets.

In addition, the spread of the Internet and advancements in Internet and information technologies are eliminating geographic and cost-entry barriers to providing private educational and career enhancement services. Many smaller companies are able to use the Internet to quickly and cost-effectively offer their programs, services and products to a large number of students with less capital expenditure than was previously required.

### **Seasonality**

Our business is subject to seasonal variations. Historically, there are less educational service activities in our K-12 schools and CP&CE Programs during the first quarter due to Chinese New Year holidays and the winter break, as well as during the third quarter due to the summer break.

### **Regulations**

We operate our business in China under a legal regime consisting of the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the MOE, the MIIT, the SAIC, the Ministry of Civil Affairs (“MCA”), the MOFCOM, the SAFE, and their respective authorized local counterparts. This section summarizes the principal PRC regulations relating to our business.

#### ***Regulations on private education***

The principal regulations governing private education in China consist of the Education Law of the PRC, the Law for Promoting Private Education and the Implementing Rules for the Law for Promoting Private Education and the Regulations on Chinese-Foreign Cooperation in Operating Schools. Below is a summary of relevant provisions of these regulations.

#### ***Education Law of the PRC***

On March 18, 1995, the National People’s Congress (“NPC”) enacted the Education Law of the PRC, or the Education Law. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and, in principle, enterprises, social organizations and individuals are encouraged to operate schools and other types of education organizations in accordance with PRC laws and regulations. According to the revision of the Education Law on December 27, 2015, schools and other educational institutions which are founded totally or partly by the government’s appropriation or donated assets shall not be established as profit-making organizations. However, according to the Law for Promoting Private Education revised on November 7, 2016, private schools may be operated as nonprofit schools or profit-making schools, but the nine-year compulsory education schools cannot be operated as profit-making schools.

#### ***The Law for Promoting Private Education and the Implementing Rules for the Law for Promoting Private Education***

The Law for Promoting Private Education (“the Amendment”) became effective on September 1, 2003 and was revised on November 7, 2016, effective on September 1, 2017 and the Implementing Rules for the Law for Promoting Private Education became effective on April 1, 2004. Under the law and these regulations, “private schools” are defined as schools established by social organizations or individuals using non-government funds. In addition, private schools providing certifications, pre-school education, education for self-study aid and other academic education shall be subject to approval by the education authorities, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare. A duly approved private school will be granted a Private School Operation License by local or provincial-level counterparts of the MOE for operating a private school, and shall be registered with the local or provincial-level counterparts of the MCA as a privately run non-enterprise institution and be issued a Private Non-Enterprise Organization Registration Certificate. The durations of our Private School Operation Licenses vary from one year to eight years and the durations of our Private Non-Enterprise Organization Registration Certificates vary from one year to five years, depending on the location of our private schools with permission for renewal upon expiration.



Under the law and regulations discussed above, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Government-run schools that provide compulsory education are not permitted to be converted into private schools. In addition, the operation of a private school is highly regulated. For example, the items and criteria of fees charged by a private school on those students need to be approved by the governmental pricing authority and are required to be publicly disclosed.

Private schools are divided into three categories: private schools established with donated funds; profit-making private schools and nonprofit private schools. Investors of profit-making schools may require profit from the annual net balance of the school according to the Company Law of PRC and other regulations.

The establishment and operation of profit-making private schools shall be in accordance with the Rules for the implementation of supervision and administration of profit-making private schools promulgated and became effective on December 30, 2016.

According to the Company Law of PRC, where a profit-making school distributes its annual net balance for the current financial year, it shall draw 10% of its annual net balance as the school's statutory common reserve, provided that a school with an aggregate common reserve of more than 50% of the school's registered capital may elect not to draw any statutory common reserve anymore. Where the aggregate balance of the school's statutory common reserve is insufficient to cover any loss the school made in the previous financial year, the current financial year's annual net balance shall first be used to cover the loss before any statutory common reserve is drawn therefrom in accordance with the provisions of the preceding paragraph. Where losses have been covered and the statutory and discretionary common reserves have been drawn, any remaining annual net balance shall be distributed to investors.

Nonprofit private schools shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to profit-making private schools shall be formulated by the relevant PRC authorities. However, ever since then, no such regulations in respect of tax preferential policy for profit-making private schools have been promulgated.

As of December 31, 2020, we had, across our two reportable segments, a total of 29 schools that are registered as private schools as opposed to companies, of which 4 schools are registered as schools not requiring reasonable returns, while all other schools are registered as schools requiring reasonable returns.

#### A. K-12 schools

According to the Amendment, the term "reasonable return" is no longer used and sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion. School sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. We have three K-12 schools, consisting of kindergarten, primary schools, middle schools and high school. Currently all of the three schools require reasonable returns.

- i. Primary and middle school education is considered compulsory education, which will be transitioned to operate as non-profit schools to comply with the Amendment.
- ii. Kindergarten and high school are not considered compulsory education and we will elect for those schools to be for-profit schools.

The detailed implementation methods for transitioning K-12 schools to non-profit schools have not been issued by local government authorities. We are communicating with local authorities regarding the impact on operations and registration of the schools. Since we can still maintain control over the daily operation of the schools and have the right to appoint key management, we believe there will not be a significant impact on the operation of these schools before official guidelines are issued by local authorities. Although turning into non-profit schools will prohibit the distribution of retained earnings as dividends from these schools, we can still control and allocate financial resources of the schools in their daily operation. Therefore, we believe there will be no significant financial impact to us as of the date of this report.

#### B. Tutoring and career enhancement centers

Our tutoring and career enhancement centers including training offices are not considered compulsory education, the Company intends to elect those currently requiring reasonable returns to be for-profit for the schools; and to elect those currently not requiring reasonable returns to be non-profit.

Generally, if a private school chooses to register as a non-profit school, it shall amend its articles of association, continue operations and complete the new registration process. If a private school chooses to register as a for-profit school, it shall conduct a financial liquidation process, have the property rights of its assets such as land, school buildings authenticated by relevant government authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register as a for-profit school and continue operation. Specific provisions related to this process have not yet been introduced by the People's Governments at the provincial level. The Company does not expect its operations to be impacted materially if all the registration requirements are met and the procedures are fully performed.

## ***Foreign investment in education service industry***

According to the Foreign Investment Industries Guidance Catalog, or Foreign Investment Catalog, which was amended and promulgated by the NDRC, and the MOFCOM on March 10, 2015 and became effective on April 10, 2015, foreign investment is encouraged to participate in vocational training services beyond educational services. The foreign investment in higher education, ordinary senior high school education and pre-school education has to take the form of a Sino-foreign cooperative joint venture led by Chinese parties. Foreign investment is banned from compulsory education, which means grades 1-9. Foreign investment is allowed to invest in after-school tutoring services, which do not grant diplomas. However, many local government authorities do not allow foreign-invested entities to establish private schools to engage in tutoring services, other than in the forms of Sino-foreign cooperative schools or international schools. Under current PRC laws, the foreign contributors of Sino-foreign cooperative schools shall be foreign educational institutions such as universities or colleges instead of foreign companies. As of December 31, 2020, we had a total of 37 centers and schools in mainland China, comprised of 12 tutoring centers, 3 K-12 schools, 4 career enhancement centers and 18 training offices. We conduct our education business in China primarily through contractual arrangements among our subsidiaries in China and VIEs. The majority of our VIEs and their respective subsidiaries, as PRC domestic entities, hold the requisite licenses and permits necessary to conduct our education business in China and operate our tutoring centers, K-12 schools, career enhancement centers and training offices.

### ***Regulations on Chinese-foreign cooperation in operating schools***

Chinese-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Operating Chinese-foreign Schools, promulgated in 2003 and revised in 2013 by the State Council and the Implementing Rules for the Regulations on Operating Chinese-foreign Schools, or the Implementing Rules, which were issued by the MOE in 2004.

The regulations on Operating Chinese-foreign Schools and its Implementing Rules encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and Chinese educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. Chinese-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC.

Permits for Chinese-foreign Cooperation in Operating Schools or Chinese-foreign Cooperation Project shall be obtained from the relevant education authorities or from the authorities that regulate labor and social welfare in the PRC.

### ***Regulations on online and distance education***

Pursuant to the Administrative Regulations on Educational Websites and Online and Distance Education Schools issued by MOE in 2000, or the Online Education Regulations, educational websites and online education schools may provide education services in relation to higher education, elementary education, pre-school education, teacher education, occupational education, adult education and other educational services. Under the Online Education Regulations, “educational websites” refers to education websites providing education or education-related information services to website visitors by means of a database or an online education platform connected to the Internet or an educational television station through an Internet service provider, or ISP. Under the Online Education Regulations, “online education schools” refer to organizations providing academic education services or training services online and issuing various certificates.

According to the Administrative License Law promulgated by the Standing Committee of NPC, on August 27, 2003 and effective as of July 1, 2004, only laws promulgated by the NPC and regulations and decisions promulgated by the State Council may establish administrative license requirements. On February 3, 2016, the State Council promulgated the Decision of the State Council on Cancelling the Second Group of 152 Administrative Approval Items Designated by the Central Government for Implementation by Local Governments, which has cancelled the approvals of the education administrative department for online education schools and the educational websites.

## ***Regulation of the software industry***

### *Policies to Encourage the Development of Software*

On June 24, 2000, the State Council issued Certain Policies to Encourage the Development of Software and Integrated Circuit Industries, or the Policies, to encourage the development of the software and integrated circuit industries in China and to enhance the competitiveness of the PRC information technology industry in the international market. The Policies encourage the development of the software and integrated circuit industries in China through various methods, including:

- Encouraging venture capital investment in the software industry and providing capital to software enterprises or assisting such software enterprises to raise capital overseas;
- Providing tax incentives, including an immediate tax rebate for taxpayers who sell self-developed software products, before 2010, of the amount of the statutory value-added tax that exceeds 3% and a number of exemptions and reduced corporate income tax rates;
- Providing government support, such as government funding in the development of software technology;
- Providing preferential treatments, such as credit facilities with low interest rates to enterprises that export software products;
- Taking various strategies to ensure that the software industry has sufficient expertise; and
- Implementing measures to enhance intellectual property protection in China.

### *Software products administration*

On October 27, 2000, the MIIT issued and enforced the Measures Concerning Software Products Administration to regulate and administer software products and promote the development of the software industry in China. Pursuant to the Measures Concerning Software Products Administration, all software products operated or sold in China must be duly registered with and recorded by the relevant authorities, and no entity or individual is allowed to sell or distribute any unregistered and unrecorded software products.

On March 1, 2009, the MIIT promulgated the new Measures Concerning Software Products Administration, or the New Measures, which became effective on April 10, 2009. Under the New Measures, software products operated or sold in China are not required to be registered or recorded by relevant authorities, and software products developed in China (including those developed in China on the basis of imported software) can enjoy certain favorable policies when they have been registered and recorded. The New Measures was repealed in May 26, 2016 by the MTT. As such, from May 26, 2016, all software products operated or sold in China are not required to be registered or recorded by the relevant authorities.

### *Software copyright*

The State Council promulgated the Regulations on the Protection of Computer Software, or the Software Protection Regulations, on December 20, 2001, which became effective on January 1, 2002. The Software Protection Regulations were promulgated, among other things, to protect the copyright of computer software in China. According to the Software Protection Regulations, computer software that is independently developed is attached to physical goods will be protected. However, such protection does not apply to any ideas, mathematical concepts, processing and operation methods used in the development of software solutions. Under the Software Protection Regulations, PRC citizens, legal persons and organizations will enjoy copyright protection for computer software that they have developed, regardless of whether the software has been published. Foreigners or any person without a nationality shall enjoy copyright protection over computer software that they have developed, as long as such computer software was first distributed in China. Software of foreigners or any person without a nationality will enjoy copyright protection in China under these regulations in accordance with a bilateral agreement, if any, executed by and between China and the country to which the developer is a citizen of or in which the developer habitually resides, or in accordance with an international treaty to which China is a party. Under the Software Protection Regulations, owners of software copyright will enjoy the rights of publication, authorship, modification, duplication, issuance, lease, transmission on the information network, translation, licensing and transfer. Software copyright protection takes effect on the day of completion of the software's development. The protection period for software developed by legal persons and other organizations is 50 years and ends on December 31 of the fiftieth year from the date the software solution was first published. However, the Software Protection Regulations will not protect the software if it is not published within 50 years from the date of the completion of its development. Civil remedies available under the Software Protection Regulations against infringements of copyright include cessation of the infringement, elimination of the effects, apology and compensation for losses. The copyright administrative authorities will order the infringer of software copyright to stop all infringing acts, confiscate illegal gains, confiscate and destroy infringing copies, and may impose a fine on the offender under certain circumstances.

### *Software copyright registration*

On February 20, 2002, the State Copyright Administration of the PRC promulgated and enforced the Measures Concerning Registration of Computer Software Copyright Procedures, or the Registration Procedures, to implement the Software Protection Regulations and to promote the development of China's software industry. The Registration Procedures apply to the registration of software copyrights and software copyright exclusive licensing contracts and assignment contracts. The registrant of a software copyright will either be the copyright owner or another person (whether a natural person, legal person or an organization) in whom the software copyright becomes vested through succession, assignment or inheritance. Upon registration, the registrant shall be granted a registration certificate by the China Copyright Protection Center. As of December 31, 2020, we have been issued 106 registration certificates for computer software copyrights, of which we use 106 of such registration certificates to operate our business.

### ***Regulations on Internet information services***

Subsequent to the State Council's promulgation of the Telecom Regulations and the Internet Information Services Administrative Measures on September 25, 2000, or the Internet Information Measures, the MIIT and other regulatory authorities formulated and implemented a number of Internet-related regulations, including but not limited to the Internet Electronic Bulletin Board Service Administrative Measures, or the BBS Measures.

The Internet Information Measures require that commercial Internet content providers, or ICP providers, obtain a license for Internet information services, or ICP license, from the appropriate telecommunications regulatory authorities in order to provide any commercial Internet information services in the PRC. ICP providers are required to display their ICP license number in a conspicuous location on their home page. In addition, the Internet Information Measures also provide that ICP providers that operate in sensitive and strategic sectors, including news, publishing, education, health care, medicine and medical devices, must also obtain additional approvals from the relevant authorities in charge of those sectors. The BBS Measures provide that any ICP provider engaged in providing online bulletin board services, or BBS, is subject to a special approval and filing process with the relevant telecommunications regulatory authorities.

In July 2006, the MIIT posted on its website the "Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecom Services." The notice prohibits PRC ICP providers from leasing, transferring or selling their ICP licenses or providing facilities or other resources to any illegal foreign investors. The notice states that PRC ICP providers or their shareholders should directly own the trademarks and domain names for websites operated by them, as well as servers and other infrastructure used to support these websites.

### ***Regulations on broadcasting audio-video programs through the Internet or other information network***

The State Administration of Radio, Film and Television (“SARFT”), promulgated the Rules for Administration of Broadcasting of Audio-Video Programs through the Internet and Other Information Networks, or the Broadcasting Rules, in 2004, which became effective on October 11, 2004. The Broadcasting Rules apply to the activities of broadcasting, integrating, transmitting and downloading of audio-video programs with computers, televisions or mobile phones and through various types of information networks. Pursuant to the Broadcasting Rules, a Permit for Broadcasting Audio-Video Programs via Information Network is required to engage in these Internet broadcasting activities. On April 13, 2005, the State Council announced a policy on private investments in businesses in China relating to cultural matters that prohibits private investments in businesses relating to the dissemination of audio-video programs through information networks.

On December 20, 2007, SARFT and MIIT issued the Internet Audio-Video Program Measures, which became effective on January 31, 2008. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide Internet audio-video program services without a License for Disseminating Audio-Video Programs through Information Network issued by SARFT or its local counterparts or completing the relevant registration with SARFT or its local counterparts; and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transfer to the public through the Internet, of audio-video programs, and the provision of audio-video program uploading and transmission services. On February 3, 2008, SARFT and MIIT jointly held a press conference in response to inquiries related to the Internet Audio-Video Program Measures, during which SARFT and MIIT officials indicated that providers of audio-video program services established prior to the promulgation date of the Internet Audio-Video Program Measures that do not have any regulatory non-compliance records can re-register with the relevant government authorities to continue their current business operations. After the conference, the two authorities published a press release that confirms the above guidelines. There remain significant uncertainties relating to the interpretation and implementation of both the Internet Audio-Video Program Measures and the press release, in particularly with respect to the scope of “Internet Audio-Video Programs.” On April 1, 2010, SARFT promulgated the Tentative Categories of Internet Audio-Visual Program Service (“Categories”), which clarified the scope of Internet Audio-Video Programs. According to the Categories, there are four categories of Internet audio-visual program service which in turn are divided into seventeen sub-categories. The third sub-category of the second category covers the making and broadcasting of certain specialized audio-visual programs concerning art, culture, technology, entertainment, finance, sports and education.

We do not believe that we are required to apply for a License for Disseminating Audio-Video Programs through Information Network as an enterprise providing online education and test preparation courses. As an online education services provider, we transmit our audio-video educational courses and programs through the Internet only to enrolled course participants, not to the general public. The limited scope of our audience distinguishes us from general online audio-video broadcasting companies, such as companies operating user-generated content websites. In addition, we do not provide audio-video program uploading and transmission services. As a result, we believe that we are not one of those providers of audio-video program services covered under the Internet Audio-Video Program Measures. In the event that we are deemed to be a provider of audio-video program services covered under the Internet Audio-Video Program Measures, we believe that pursuant to the press release it is possible that we may be allowed to continue our current operations and re-register with SARFT or MIIT in accordance with the published guidelines, as we were established prior to the promulgation of the Internet Audio-Video Program Measures and have not had any regulatory non-compliance records. We and our PRC legal counsel are closely monitoring the regulatory developments relating to the Internet Audio-Video Program Measures and we will register with the relevant governmental authorities and obtain the necessary license if required. However, if the governmental authorities decide that our provision of online education services fall within the Internet Audio-Video Program Measures and we are unable to register or obtain the necessary license timely, or at all, due to reasons beyond our control, our equity ownership structure may require significant restructuring, or we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

### ***Regulations on information security***

Internet content in China is regulated by the PRC government to protect state security. The NPC has enacted a law that may subject to criminal punishment in China any person who: (i) gains improper entry into a computer or system of strategic importance; (ii) disseminates politically disruptive information; (iii) leaks state secrets; (iv) spreads false commercial information; or (v) infringes intellectual property rights.

The Ministry of Public Security has promulgated measures that prohibit use of the Internet in ways that, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection rights in this regard, and we are subject to the jurisdiction of the local security bureaus. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

### ***Regulations on Protection of the Right of Dissemination through Information Networks***

On May 18, 2006, the State Council promulgated the Regulations on Protection of the Right of Dissemination through Information Networks, or the Dissemination Protection Regulations, which became effective on July 1, 2006. The Dissemination Protection Regulations require that every organization or individual who disseminates a third-party’s work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the copyright owner of such products, unless otherwise provided under relevant laws and regulations. The copyright owner may take technical measures to protect his or her right of dissemination through information networks and any organization or individual shall not intentionally evade, circumvent or otherwise assist others in evading such protective measures unless permissible under law. The Dissemination Protection Regulations also provide that permission from the copyright owners and compensation for the copyright-protected works is not required in the event of limited dissemination to teaching or research staff for the purpose of school teaching or scientific research only. We hold copyrights for all of the course materials on our websites.

### Regulation of domain names and website names

PRC law requires owners of Internet domain names to register their domain names with qualified domain name registration agencies approved by MIIT and obtain registration certificates from such registration agencies. A registered domain name owner has an exclusive use right over its domain name. Unregistered domain names may not receive proper legal protections and may be misappropriated by unauthorized third parties. As of December 31, 2020, we have registered 24 domain names with the Internet Corporation for Assigned Names and Numbers and the China Internet Network Information Center.

PRC law requires entities operating commercial websites to register their website names with the SAIC or its local offices and obtain commercial website name registration certificates. If any entity operates a commercial website without obtaining such a certificate, it may be charged a fine or imposed other penalties by the SAIC or its local offices. On November 5, 2004, the MIIT amended the Measures for Administration of Domain Names for the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name “.cn”. In February 2006, China Internet Network Information Center (“CNNIC”), issued the Implementing Rules for Domain Name Registration and the Measures on Domain Name Disputes Resolution, pursuant to which CNNIC can authorize a domain name dispute resolution institution to decide disputes. As of December 31, 2020, we have registered 7 website names which are used in connection with our education business with Beijing Municipal Bureau of Industry and Commerce.

### Regulation of privacy protection

PRC law does not prohibit Internet content providers from collecting and analyzing personal information from their users. PRC law prohibits Internet content providers from disclosing to any third parties any personal information it collects via Internet or transmitted by users through their networks unless otherwise permitted by law. If an Internet content provider violates these regulations, MIIT or its local offices may impose penalties and the Internet content provider may be liable for damages caused to its users. We believe we are in compliance with these regulations.

### Regulation of copyright and trademark protection

China has adopted legislation governing intellectual property rights, including copyrights and trademarks. China is a signatory to the main international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

*Copyright*. NPC amended the Copyright Law in 2001 to widen the scope of works and rights that are eligible for copyright protection which extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. In February 2010, the NPC further amended the Copyright Law to regulate the registration of pledge of copyright, which became effective on April 1, 2010.

To address the problem of copyright infringement related to the content posted or transmitted over the Internet, the National Copyright Administration and MIIT jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet on April 29, 2005. These measures became effective on May 30, 2005.

*Trademark*. The PRC Trademark Law, adopted in 1982 and revised in 2001 and 2013, protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years to trademarks as requested upon expiry of the prior term. Trademark license agreements must be filed with the Trademark Office for record. “Ambow”, “安博”, “”, “爆破”, “爆破学习城”, “”, “安博教育”, “词立方”, “高考爆破”, “爆破英语”, “亚威”, “人众人”, “”, “”, “中程在线”, “中程”, “安博精学”, “安博精锐”, “安博京翰”, “AMBO”, “”, “”, “”, “”, “”, “”, “安博英豪”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “”, “安博乐”, “”, “安博云智平台”, “安博云智学堂”, “” and “” are our registered trademarks with the Trademark Office of the SAIC in China.

### Regulation of foreign exchange

The PRC government imposes restrictions on the convertibility of the RMB and on the collection and use of foreign currency by PRC entities. Under current regulations, the RMB is convertible for current account transactions, which include dividend distributions, and the import and export of goods and services. Conversion of RMB into foreign currency and foreign currency into RMB for capital account transactions, such as direct investment, portfolio investment and loans, however, is still generally subject to the prior approval of or registration with SAFE.

Under current PRC regulations, foreign-invested enterprises such as our PRC subsidiaries are required to apply to SAFE for a Foreign Exchange Registration Certificate for Foreign-Invested Enterprise. With such a certificate (which is subject to review and renewal by SAFE on an annual basis), a foreign-invested enterprise may open foreign exchange bank accounts at banks authorized to conduct foreign exchange business by SAFE and may buy, sell and remit foreign exchange through such banks, subject to documentation and approval requirements. Foreign-invested enterprises are required to open and maintain separate foreign exchange accounts for capital account transactions and current account transactions. In addition, there are restrictions on the amount of foreign currency that foreign-invested enterprises may retain in such accounts.

### ***Regulation of foreign exchange in certain onshore and offshore transactions***

In October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular 75, which became effective as of November 1, 2005. In July 2014, SAFE issued a new notice to replace Circular 75, Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles. According to SAFE Circular 75 and Circular 37, prior to establishing or assuming control of an offshore company for the purpose of financing that offshore company with assets or equity interests in an onshore enterprise in the PRC, each PRC resident, whether a natural or legal person, must complete certain overseas investment foreign exchange registration procedures with the relevant local SAFE branch. An amendment to the registration with the local SAFE branch is required to be filed by any PRC resident that directly or indirectly holds interests in that offshore company upon either (i) the injection of equity interests or assets of an onshore enterprise to the offshore company or (ii) the completion of any overseas fund-raising by such offshore company. An amendment to the registration with the local SAFE branch is also required to be filed by such PRC resident when there is any material change involving a change in the capital of the offshore company, such as (i) an increase or decrease in its capital, (ii) a transfer or swap of shares, (iii) a merger or division, (iv) a long-term equity or debt investment or (v) the creation of any security interests.

SAFE Circular 37 applies retroactively. As a result, PRC residents who established or acquired control of offshore companies that made onshore investments in the PRC in the past were required to apply for supplementary registration. Under SAFE Circular 37, failure to comply with the registration procedures may result in restrictions on the relevant onshore entity, including restrictions on the payment of dividends and other distributions to its offshore parent or affiliate and restrictions on the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under the PRC foreign exchange administration regulations.

As a Cayman Islands exempted company, we are considered a foreign entity in China. If we purchase the assets or equity interests of a PRC company owned by PRC residents in exchange for our equity interests, such PRC residents will be subject to the registration procedures described in SAFE Circular 37. Moreover, PRC residents who are beneficial holders of our shares are required to register with SAFE in connection with their investment in us.

### ***Regulations on dividend distribution***

The principal regulations governing dividend distributions by wholly foreign-owned enterprises and Sino-foreign equity joint ventures include:

- Wholly Foreign-Owned Enterprise Law (1986), as amended;
- Wholly Foreign-Owned Enterprise Law Implementing Rules (1990), as amended;
- Sino-foreign Equity Joint Venture Enterprise Law (1979), as amended; and
- Sino-foreign Equity Joint Venture Enterprise Law Implementing Rules (1983), as amended.

Under these regulations, wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises are required to set aside certain amounts of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends.

### ***Regulation of overseas listings***

On August 8, 2006, six PRC regulatory agencies, including CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006 and was amended by the MOFCOM on June 22, 2009. This regulation, among other things, has certain provisions that require offshore special purpose vehicles, or SPVs, to obtain the approval of the CSRC prior to listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

We believe that CSRC's approval was not applicable to us in connection with our IPO and listing on a national securities exchange because we established our PRC subsidiaries by means of direct investment rather than merger or acquisition of PRC domestic companies.

### ***SAFE regulations on employee share options***

On March 28, 2007, SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Holding Plan or Share Option Plan of Overseas Listed Company, or the Share Option Rule. On February 15, 2012, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad, or the No. 7 Notice, which supersedes the Share Option Rule in its entirety and immediately became effective upon circulation. According to the No. 7 Notice, domestic individuals, which include any directors, supervisors, senior managerial personnel or other employees of a domestic company who are Chinese citizens (including citizens of Hong Kong, Macao and Taiwan) or foreign individuals who consecutively reside in the territory of PRC for one year, who participate in the same equity incentive plan of an overseas listed company shall, through the domestic companies they serve, collectively entrust a domestic agency to handle issues like foreign exchange registration, account opening, funds transfer and remittance, and entrust an overseas institution to handle issues like exercise of options, purchasing and sale of related stocks or equity, and funds transfer. Where a domestic agency needs to remit funds out of China as required for individuals' participation in an equity incentive plan, the domestic agency shall apply with the local office of the SAFE for a foreign exchange payment quota on a yearly basis. A domestic agency shall open a domestic special foreign exchange account in the bank. After repatriation of foreign currency income earned by individuals from participation in an equity incentive plan, the domestic agency shall request the bank to transfer the funds from its special foreign currency account to respective personal foreign currency deposit accounts. In the case of any significant change to the equity incentive plan of a company listed abroad (such as amendment to any major terms of the original plan, addition of a new plan, or other changes to the original plan due to merger, acquisition or reorganization of the overseas listed company or the domestic company or other major events), the domestic agency or the overseas trustee shall, within three months of the occurrence of such changes, go through procedures for change of foreign exchange registration with the local office of the SAFE. The SAFE and its branches shall supervise, administer and inspect foreign exchange operations related to individuals' participation in equity incentive plans of companies listed abroad, and may take regulatory measures and impose administrative sanctions on individuals, domestic companies, domestic agencies and banks violating the provisions of this Notice.

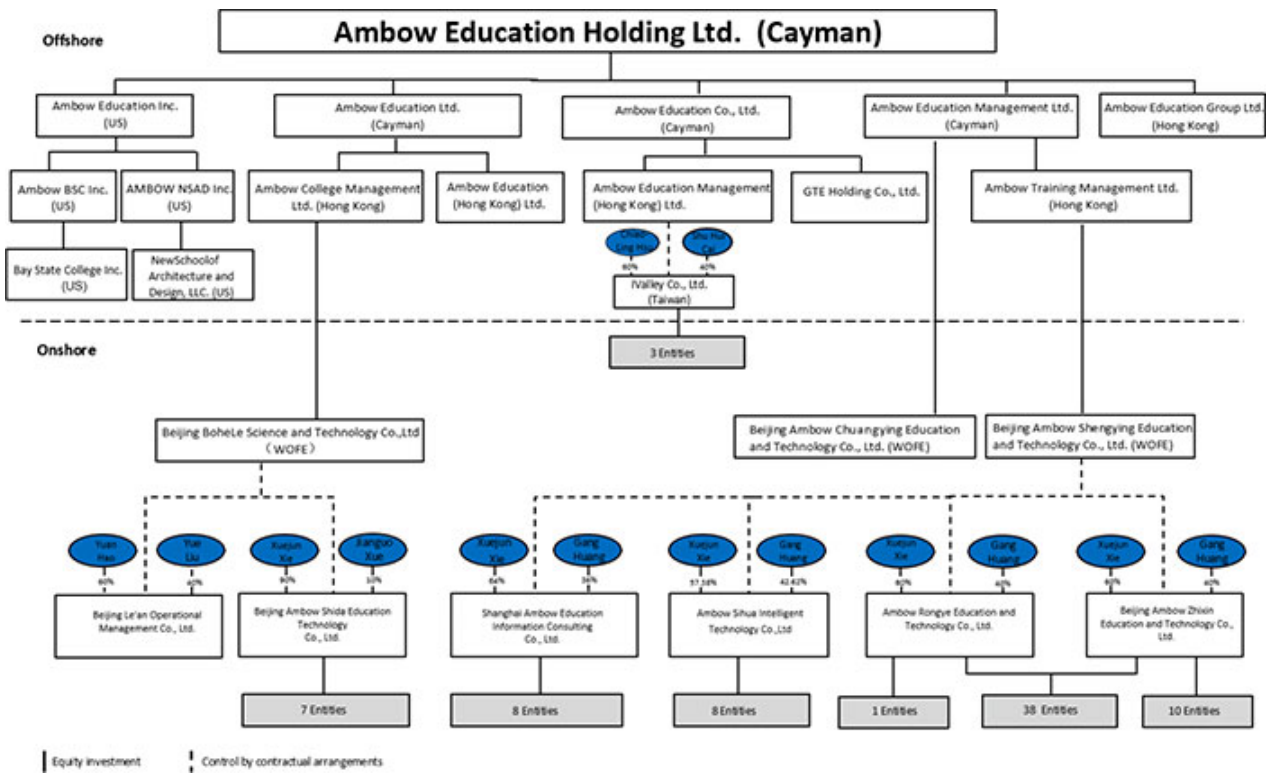
We and our employees who have been granted applicable equity awards shall be subject to the No.7 Notice. If we fail to comply with the No. 7 Notice, we and/or our employees who are subject to the No.7 Notice may face sanctions imposed by foreign exchange authority or any other PRC government authorities.

In addition, the State Administration of Taxation has recently issued a few circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents relating to employee share options with relevant tax authorities and withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or other PRC government authorities.

### **C. Organizational Structure**

The diagrams below illustrate our corporate structure with respect to each of our significant subsidiaries and VIEs and the place of incorporation of each named entity as of December 31, 2020.





Notes:

- (1) Registered shareholders of Ambow Shida are Xuejun Xie, one of our officers, and Jianguo Xue, one of our officers, who own 90% and 10% of Ambow Shida, respectively.
- (2) Registered shareholders of Ambow Sihua are Xuejun Xie and Gang Huang, one of our employees, who own 57.38% and 42.62% of Ambow Sihua, respectively.
- (3) Registered shareholders of Ambow Shanghai are Xuejun Xie and Gang Huang, who own 64% and 36% of Ambow Shanghai, respectively.
- (4) Registered Shareholders of Ambow Zhixin are Xuejun Xie and Gang Huang, one of our employees, who own 60% and 40% of Ambow Zhixin, respectively.
- (5) Registered Shareholders of Ambow Rongye are Xuejun Xie and Gang Huang, one of our employees, who own 60% and 40% of Ambow Rongye, respectively.
- (6) Registered Shareholders of IValley are Chiao-ling Hsu, one of our officers, and Shu Hui Cai, one of our employees, who own 60% and 40% of IValley, respectively.
- (7) Registered Shareholders of Beijing Le'An are Yuan Hao and Yue Liu, both are our employees, who own 60% and 40% of Beijing Le'An Operational Management Co., Ltd. ("Beijing Le'An"), respectively
- (8) Certain non-performing entities' legal status included in the table above are to be cancelled which do not have significant business.

Ambow Shengying, BoheLe, IValley Beijing and the acquired schools and learning centers are the principal operating entities for our business operations within China. Their functional currency is RMB. Ambow, Ambow Education Inc., Ambow NSAD Inc., Ambow BSC Inc., Bay State College, NewSchool, as well as our other investment holding companies, are the offshore principal operating entities. Their functional currency is US\$. IValley and one of its subsidiaries are our business entities registered in Taiwan and their functional currency is TWD.

Ambow Shengying, BoheLe and Ambow Education Management have entered into a series of contractual arrangements with each of the above domestic PRC companies or Taiwan company that enable us to:

- Exercise effective control over our VIEs and their respective subsidiaries by having such VIEs' shareholders pledge their respective equity interests in these VIEs to BoheLe, Ambow Shengying and Ambow Education Management and, through powers of attorney, entrust all the rights to exercise their voting power over these VIEs to BoheLe, Ambow Shengying and Ambow Education Management. There is no limitation on BoheLe and Ambow Shengying's rights to exercise the voting power over the VIEs or to obtain and dispose of the pledged equity interests in the VIEs holding the tutoring centers and career enhancement centers by exercise of its call option or share pledge. BoheLe and Ambow Shengying's rights to obtain and dispose of the pledged equity interests in the VIEs holding the K-12 schools by exercise of its call option or share pledge are subject to BoheLe and Ambow Shengying's designating other PRC persons or entities to acquire the pledged equity interests in order not to violate PRC laws that prohibit or restrict foreign ownership in K-12 schools;
- Receive economic benefits from the pre-tax profits of our VIEs and their respective subsidiaries in consideration for technical support, marketing and management consulting services provided by BoheLe, Ambow Shengying and Ambow Education Management to our VIEs and their respective subsidiaries. Such economic benefits earned by BoheLe, Ambow Shengying and Ambow Education Management were insignificant for the reporting period (which have been eliminated upon consolidation) in consideration of the services provided to our VIEs' subsidiaries; and
- Have an exclusive option to purchase all or part of the equity interests in our VIEs and all or part of the equity interest in its subsidiaries, as well as all or part of the assets of our VIEs, in each case when and to the extent permitted by applicable PRC or Taiwan law.

Accordingly, we treat these domestic PRC companies as variable interest entities and have consolidated their historical financial results in our financial statements in accordance with U.S. GAAP. Majority of these domestic PRC companies and their subsidiaries hold the requisite licenses and permits necessary to conduct our education business in China.

Each of Ambow Shanghai, Ambow Sihua, Ambow Rongye and Ambow Zhixin has executed a series of control agreements with Ambow Shengying. Ambow Shida and Beijing Le'An have executed a series of control agreements with BoheLe. They are described in more detail below through which agreements Ambow Shengying and BoheLe exercise effective contractual control over Ambow Shida, Ambow Shanghai, Ambow Sihua, Ambow Rongye, Ambow Zhixin and Beijing Le'An. IValley has executed a series of control agreements with Ambow Education Management.

Ambow Shida, Ambow Sihua, Ambow Shanghai, Ambow Rongye, Ambow Zhixin and Beijing Le'An each is a controlling entity operating one of our business lines, including tutoring centers, K-12 schools, career enhancement service centers and training offices, and each owns certain interest in a number of schools and entities. The detailed description of their interests as of December 31, 2020 is listed in Note 1c to audited consolidated financial statements.

Sponsorship interest under the Law of Promoting Private Education is substantially similar to equity interest under the PRC Company Law. Minor differences are illustrated in the following perspectives:

(1) Right to receive return on investment. Shareholders of companies are entitled to dividends for their investment, while not all sponsors of private schools can claim returns on their investment in the private schools. Under the Law of Promoting Private Education, the sponsors of a private school may decide whether to require reasonable returns or not on their contributions to the private school, and accordingly private schools can be classified into schools whose sponsors require reasonable returns and schools whose sponsors do not require reasonable returns. Sponsors of schools whose sponsors require reasonable returns are entitled to receive profit distribution from the school while sponsors of schools whose sponsors do not require reasonable returns cannot.

(2) The portion of after-tax profits available for distribution. The proportion of after-tax profits that can be distributed by a company to its shareholders is different from that can be distributed by a schools whose sponsors require reasonable returns to its sponsors. Under the PRC Company Law, a company is required to allocate 10% of its after-tax profits to statutory reserve funds before making dividends to its shareholders while, under the Law for Promoting Private Education, a schools whose sponsors require reasonable returns is required to allocate no less than 25% of its annual net profit to its development fund and make allocation for mandatory expenses as required by applicable laws and regulations. Pursuant to an amendment to The Law for Promoting Private Education on November 7, 2016, which will go into effect on September 1, 2017, sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC company law and other relevant laws and regulations.

## ***Agreements that provide effective control over our VIEs and their respective subsidiaries***

### ***Agreements that provide effective control over Ambow Shida and its subsidiaries***

We have entered into a series of agreements with Ambow Shida and its shareholders. These agreements provide us substantial ability to control Ambow Shida and its shareholders, and we have obtained an option to purchase all of the equity interests of Ambow Shida. These agreements include:

*Share Pledge Agreement* . Ambow Online, Xuejun Xie and Jianguo Xue, each a shareholder of Ambow Shida, entered into a share pledge agreement on January 31, 2005. AECL, Ambow Online, Xuejun Xie and Jianguo Xue entered into a supplementary agreement on January 4, 2009, pursuant to which each of Xuejun Xie and Jianguo Xue pledged all of her or his equity interest in Ambow Shida to Ambow Online to secure the performance of Ambow Shida under an exclusive cooperation agreement, dated January 31, 2005, between Ambow Online and Ambow Shida. The abovementioned share pledge agreement and the supplementary agreement were terminated and replaced by a share pledge agreement among Ambow Chuangying, Xuejun Xie and Jianguo Xue on June 29, 2017, pursuant to which each of Xuejun Xie and Jianguo Xue pledged all of her or his equity interest in Ambow Shida to Ambow Chuangying to secure the performance of Ambow Shida under the technology service agreement dated June 29, 2017 between Ambow Shida and Ambow Chuangying. Ambow Chuangying, Xuejun Xie and Jianguo Xue terminated the abovementioned share pledge agreement and the supplementary agreement by entering into a termination agreement on June 14, 2020.

BoheLe, Xuejun Xie and Jianguo Xue entered into a new share pledge agreement on June 15, 2020, pursuant to which each of Xuejun Xie and Jianguo Xue pledged all of her or his equity interest in Ambow Shida to BoheLe to secure the performance of Ambow Shida under the technology service agreement dated June 15, 2020 between Ambow Shida and BoheLe as described below. If Ambow Shida and its subsidiaries fail to fulfill their obligations under the technology service agreement, or Ambow Shida and its subsidiaries breach their duties or obligations hereunder, BoheLe shall have the right to exercise the pledge in any manner at any time to the extent permitted by applicable laws during the term of pledge. Each of Xuejun Xie and Jianguo Xue also agreed not to transfer, dispose of or otherwise directly or indirectly create any encumbrance over her or his equity interest in Ambow Shida, or take any actions that may reduce the value of her or his equity interest in Ambow Shida without the prior written consent of BoheLe. The pledge shall be terminated automatically upon termination of the technology service agreement and full discharge of the secured debt. Without BoheLe's prior consent, the pledgors shall not be entitled to grant or assign their rights and obligations under the agreement. BoheLe may assign at any time all or any of its rights and obligations hereunder and other agreements contemplated hereby to any person (either a natural person or a legal person) it designates. In such case, the assignee shall assume BoheLe's rights and obligations under this agreement. This agreement shall be binding upon the parties and their respective successors and permitted assigns. The parties shall negotiate in good faith to resolve any disputes arising out of or in connection with this agreement. If the parties cannot reach an agreement on the resolution of such disputes within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall submit such disputes to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Beijing. The award of the arbitration shall be final and binding upon the parties.

*Call Option Agreement* . Xuejun Xie and Jianguo Xue, each a shareholder of Ambow Shida, entered into a call option agreement on January 31, 2005, which was amended by the termination agreement dated April 26, 2007 and further amended by the supplementary agreement dated January 4, 2009 entered into by and among AECL, Ambow Online, Xuejun Xie and Jianguo Xue. The agreement was replaced by a call option agreement on June 29, 2017 entered into by and among Ambow Chuangying, Xuejun Xie and Jianguo Xue. Ambow Chuangying, Xuejun Xie and Jianguo Xue terminated the abovementioned call option agreement and supplementary agreement by entering into a termination agreement on June 14, 2020. BoheLe, Xuejun Xie and Jianguo Xue entered into a new call option agreement on June 15, 2020, pursuant to which BoheLe or its designee has an option to purchase from each of Xuejun Xie and Jianguo Xue, to the extent permitted under PRC laws, all or part of his or her equity interest in Ambow Shida at any time during the term of the agreement. BoheLe or its designee shall have sole discretion to decide when to exercise the option, whether in part or in full. Xuejun Xie and Jianguo Xue agreed not to dispose of the equity interest or exercise any related rights in any form without BoheLe or its designee's written consent. Xuejun Xie and Jianguo Xue agreed that before BoheLe or its designee exercises the option to obtain all the equity interest and assets, Xuejun Xie and Jianguo Xue (i) shall not create or allow any option, call option, pledge, or other equity interest or security interest on equity in Ambow Shida without BoheLe's written consent, (ii) shall irrevocably waive the preemptive right to purchase the equity in Ambow Shida to which it is entitled under the Chinese laws and the bylaws of Ambow Shida , (iii) shall not transfer the equity in Ambow Shida to any third party without BoheLe's written consent, (iv) shall neither supplement, alter or modify the Articles of Association of Ambow Shida in any form, nor increase or decrease its registered capital, or otherwise change the structure of its registered capital without BoheLe's written consent, (v) during the term of this agreement, have not engaged in and shall not engage in any act or omission that may cause any losses to BoheLe or cause any reduction in value of the equity in Ambow Shida , (vi) without BoheLe's written consent, shall not incur, assume, guarantee or allow the existence of any debt other than the debt that (a) arises in the normal or routine course of business rather than out of borrowing, and (b) has been disclosed to and approved in writing by BoheLe. Ambow Shida has the right to operate all business activities within the approved business scope which it is operating or it expects to operate in the future. To the fullest extent permitted by the Chinese laws, the transfer price of the equity in Ambow Shida (or any part thereof) shall be equal to each of Xuejun Xie and Jianguo Xue's initial contribution to the registered capital of Ambow Shida in exchange for such Equity in Ambow Shida (or any part thereof). Should we decide to exercise such option, we or our designee would affect such purchase through the cancellation of loans owed to us by Xuejun Xie and/or Jianguo Xue unless the then applicable laws require the purchase price to be determined by a valuation or otherwise provided, in which case the transfer price shall be the minimum amount provided by applicable law and we will effect such purchase through, to the extent necessary, a combination of cash and cancellation of loans owed to us by each of Xuejun Xie and Jianguo Xue. This call option is not subject to any time limit and has been effective upon execution by the parties. This agreement shall not terminate until the termination of the loan agreement. BoheLe shall have the right to early terminate this agreement. If any dispute arises out of the interpretation or performance of this agreement, the parties shall negotiate in good faith to resolve such dispute; if such dispute cannot be resolved within thirty days of the beginning of such negotiations, either party may submit such dispute to CIETAC in Beijing for arbitration in accordance with its then effective arbitration rules.

*Powers of Attorney* Pursuant to the powers of attorney, each dated April 26, 2007 and June 19, 2017, each of Xuejun Xie and Jianguo Xue irrevocably entrusted all the rights to exercise her or his voting power of Ambow Shida to Ambow Online and Ambow Chuangying, respectively. Xuejun Xie and Jianguo Xue terminated all the above mentioned powers of attorney and entered into new powers of attorney on June 15, 2020, pursuant to which each of Xuejun Xie and Jianguo Xue irrevocably entrusted all the rights to exercise her or his voting power of Ambow Shida to BoheLe for an indefinite period of time, including without limitation, proposing to convene a shareholders' meeting, attending a shareholders' meeting and exercising the voting rights at a shareholders' meeting.

*Loan Agreements* AECL, Xuejun Xie and Jianguo Xue, each a shareholder of Ambow Shida, respectively, entered into loan agreements on January 31, 2005, which were amended by amendment agreements, dated April 26, 2007, among Ambow Online, AECL and Xuejun Xie and Jianguo Xue, respectively, and further amended by the supplementary agreement dated January 4, 2009 entered into by and among AECL, Ambow Online, Xuejun Xie and Jianguo Xue and renewed by a loan agreement between Ambow Online and Jianguo Xue dated February 1, 2008. The agreement was replaced by a new loan agreement between Ambow Chuangying, Xuejun Xie and Jianguo Xue on June 29, 2017. Ambow Chuangying, Xuejun Xie and Jianguo Xue terminated the abovementioned loan agreements by entering into a termination agreement on June 14, 2020. BoheLe, Xuejun Xie and Jianguo Xue entered into a new loan agreement on June 15, 2020, pursuant to which BoheLe loaned RMB 2.7 million and RMB 0.3 million to Xuejun Xie and Jianguo Xue, respectively. To the extent permitted by PRC laws, each loan shall be deemed to have been repaid upon the transfer of the equity interest in Ambow Shida held by Xuejun Xie and Jianguo Xue, as applicable, to BoheLe or its designee. This loan agreement shall remain in effect until the loans thereunder are fully repaid. To the extent permitted by the relevant PRC laws, BoheLe shall determine at its sole discretion the timing and method of the repayment of the loans thereunder and notify the borrowers in writing of such arrangements seven days in advance. The borrowers shall not repay the loans to BoheLe early unless BoheLe notifies the borrowers in writing that the loan thereunder has expired or as otherwise provided therein. Any disputes arising in connection with the interpretation or execution of this agreement shall be resolved by the parties through friendly consultations; if such disputes cannot be resolved within thirty days of the beginning of the consultations, either party may submit such disputes to CIETAC in Beijing for arbitration in accordance with its then effective arbitration rules.

### *Agreements that provide effective control over Ambow Shanghai and its subsidiaries*

We have entered into a series of agreements with Ambow Shanghai and its shareholders. These agreements provide us substantial ability to control Ambow Shanghai and its shareholders, and we have obtained an exclusive option to purchase all of the equity interests of Ambow Shanghai. These agreements include:

*Share Pledge Agreement* . Ambow Online, Xuejun Xie and Xiaogang Feng, each a shareholder of Ambow Shanghai, entered into a share pledge agreement on October 31, 2009 and a supplementary agreement on January 4, 2010. The share pledge was registered with the local SAIC and then was cancelled. Whereas Wenjian Fund and Xiaogang Feng transferred their shares to Gang Huang in June 2017. Ambow Online, Xuejun Xie and Xiaogang Feng terminated the abovementioned share pledge agreement and the supplementary agreement by entering into a termination agreement on June 29, 2017. Ambow Shengying, Xuejun Xie and Gang Huang entered into a share pledge agreement on June 29, 2017 to secure the performance of Ambow Shanghai or its subsidiaries' obligations under a new technology service agreement dated June 29, 2017 between Ambow Shanghai and Ambow Shengying. If Ambow Shanghai and its subsidiaries fail to fulfill their obligations under the technology service agreement, or Ambow Shanghai and its subsidiaries breach their duties or obligations hereunder, Ambow Shengying shall have the right to exercise the pledge in any manner at any time to the extent permitted by applicable laws during the term of pledge. Ambow Shengying may dispose of the pledged equity in accordance with the provisions of the Security Law of the People's Republic of China and relevant laws and regulations, and shall have the right to be indemnified for the secured debt and any other relevant expenses out of the proceeds from the disposal of the pledged equity. Without Ambow Shengying's prior written consent, pledgors shall not (i) make a proposal to amend the articles of association of Ambow Shanghai or cause the making of such proposal, or increase or reduce Ambow Shanghai's registered capital, or otherwise change the structure of its registered capital, (ii) create any further security, encumbrances and any third party's rights on the pledged equity in addition to the pledge created under the share pledge agreement, (iii) perform any act that may prejudice any rights of Ambow Shengying under the share pledge agreement, or any act that may materially affect the assets, business and/or operations of Ambow Shanghai, (iv) distribute dividends to the shareholders in any form (however, upon Ambow Shengying's request, pledgors shall immediately distribute all of their distributable profits to the shareholders), or (v) transfer or dispose of the pledged equity in any way. The share pledge agreements have been in effect since the date when the authorized representatives of the parties duly execute this agreement and shall remain in effect until the technology service agreement is terminated and the secured debt is fully repaid. The share pledge agreements may be unilaterally terminated by Ambow Shengying. Neither of pledgors is entitled to unilaterally terminate the share pledge agreements. Without Ambow Shengying's prior written consent, pledgors shall not transfer any of their rights or obligations under the share pledge agreement to any other party. Ambow Shengying shall have the right to transfer to any third party any of its rights or obligations under the share pledge agreement and any of its rights or obligations under other agreements contemplated by the share pledge agreement without pledgor's prior consent. If any dispute arises between the parties in connection with the interpretation and performance of the provisions thereunder, the parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the parties.

*Call Option Agreement* . Ambow Online, Xuejun Xie and Xiaogang Feng entered into a call option agreement on October 31, 2009 and a supplementary agreement on January 4, 2010. Gang Huang, as the new shareholder, and Xuejun Xie entered into a new call option agreement with Ambow Shengying on June 29, 2017, which irrevocably granted Ambow Shengying or its designee an exclusive option to purchase, to the extent permitted under PRC laws, all or part of their equity interest in Ambow Shanghai. The exercise price of such option shall be all or part, as applicable, of the initial amount of the registered capital contributed by such shareholder to acquire such equity interest in Ambow Shanghai and may be paid by the cancellation of indebtedness owed by such shareholder to Ambow Shengying, or the minimum amount of consideration permitted by applicable PRC law at the time when such transfer occurs, in which case we will pay the exercise price through, to the extent necessary, a combination of cash and cancellation of indebtedness owed by such shareholder to Ambow Shengying. Ambow Shengying or its designee shall have sole discretion to decide when to exercise the option, whether in part or in full. Currently, we do not expect to exercise such option in the foreseeable future. Without Ambow Shengying's written consent, each of Xuejun Xie and Gang Huang shall not (i) transfer the equity interest in Ambow Shanghai to any third party, (ii) supplement, alter or modify the articles of association of Ambow Shanghai in any form, or increase or decrease Ambow Shanghai's registered capital, or otherwise change the structure of its registered capital, or (iii) incur, assume, guarantee or allow the existence of any debt other than the debt that (x) arises in the normal or routine course of business rather than out of borrowing or (y) has been disclosed to and approved in writing by Ambow Shengying. This agreement shall remain effective until the termination of the loan agreement. Ambow Shengying has the right to early terminate this agreement upon twenty days' prior notice, but neither Xuejun Xie nor Gang Huang may early terminate the agreement without Ambow Shengying's written consent. All disputes arising out of or in connection with this agreement shall be settled by the parties through good faith consultations. If no agreement can be reached through consultations within sixty days after one party receives a notice from other party requesting the beginning of such consultations or as otherwise agreed by the parties, either party shall have the right to submit relevant disputes to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both parties.

*Powers of Attorney* . Each of Xuejun Xie and Xiaogang Feng entered into a powers of attorney on October 31, 2009. Each of Gang Huang, as the new shareholder, and Xuejun Xie entered into a new powers of attorney on June 29, 2017, to irrevocably entrust all the rights to exercise his voting power to Ambow Shengying, including without limitation, the power to sell, transfer or pledge, in whole or in part, such shareholder's equity interests in Ambow Shanghai and to nominate and appoint the legal representative, directors, supervisors, general managers and other senior management of Ambow Shanghai during the term of the share pledge. The powers of attorney have been in effect since the date of execution. Unless terminated as agreed by the shareholders of Ambow Shanghai and Ambow Shengying, the powers of attorney shall be irrevocable and remain effective during the term of pledge.

*Loan Agreement* . Pursuant to the loan agreement, dated October 31, 2009, and amended by a supplementary agreement dated January 4, 2010, among Ambow Online, Xuejun Xie and Xiaogang Feng, Ambow Online loaned RMB 0.8 million to Xuejun Xie and RMB 0.2 million to Xiaogang Feng to fund the registered capital requirements of Ambow Shanghai. Ambow Online, Xuejun Xie and Xiaogang Feng terminated the abovementioned loan agreement by entering into a termination agreement on June 29, 2017. Ambow Shengying, Xuejun Xie and Gang Huang entered into a new loan agreement on June 29, 2017, where Ambow Shengying loaned RMB 0.8 million to Xuejun Xie and RMB 0.45 million to Gang Huang. To the extent permitted by PRC laws, each loan shall be deemed to have been repaid upon the transfer of the equity interest in Ambow Shanghai held by each of Xuejun Xie and Gang Huang, as applicable, to Ambow Shengying or its designee. To the extent permitted by the relevant PRC laws, Ambow Shengying shall determine at its sole discretion the timing and method of the repayment of the loans under the loan agreement and notify the borrowers in writing of such arrangements seven days in advance. The borrowers shall not repay the loans to Ambow Shengying early unless Ambow Shengying notifies the borrowers in writing that the loans have expired or as otherwise provided under the loan agreement. The borrowers shall not assign their rights and obligations under the loan agreement to any third party without Ambow Shengying's prior written consent. The loan agreement has been in effect since the date of execution by the parties and shall remain effective until the borrowers fully repay the loans under the agreement. If any dispute arises between the parties in connection with the interpretation and performance of the terms, the parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either party may submit such dispute to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be held in Chinese in Beijing. The award of the arbitration shall be final and binding on both parties.

#### *Agreements that provide effective control over Ambow Sihua and its subsidiaries*

We have entered into a series of agreements with Ambow Sihua and its shareholders. These agreements provide us substantial ability to control Ambow Sihua and its shareholders, and we have obtained an exclusive option to purchase all of the equity interests of Ambow Sihua. These agreements include:

*Share Pledge Agreements* . Ambow Online and Xuejun Xie, a shareholder of Ambow Sihua, entered into a share pledge agreement on October 31, 2009, which was amended by a supplementary agreement dated March 4, 2010 between Ambow Online and Xiaogang Feng, a shareholder of Ambow Sihua. The share pledge was registered with the local SAIC and then was cancelled. Ambow Online, Xuejun Xie and Xiaogang Feng terminated the abovementioned share pledge agreement and the supplementary agreement by entering into a termination agreement on June 29, 2017. Whereas Xiaogang Feng transferred his shares to Gang Huang in June 2017, Ambow Shengying, Xuejun Xie and Gang Huang entered into a new share pledge agreement on June 29, 2017, pursuant to which each of Xuejun Xie and Gang Huang pledged all of her or his equity interest in Ambow Sihua to Ambow Shengying to secure the performance of Ambow Sihua under the technology service agreement dated June 29, 2017 between Ambow Sihua and Ambow Shengying as described below. If Ambow Sihua and its subsidiaries fail to fulfill their obligations under the technology service agreement, or Ambow Sihua and its subsidiaries breach their duties or obligations hereunder, Ambow Shengying shall have the right to exercise the pledge in any manner at any time to the extent permitted by applicable laws during the term of pledge. Without Ambow Shengying's prior written consent, each of Xuejun Xie and Gang Huang shall not (i) make a proposal to amend the articles of association of Ambow Sihua or cause the making of such proposal, or increase or reduce Ambow Sihua's registered capital, or otherwise change the structure of its registered capital, (ii) create any further security, encumbrances and any third party's rights on the pledged equity in addition to the pledge created under the share pledge agreements, (iii) perform any act that may prejudice any rights of Ambow Shengying under the share pledge agreements, or any act that may materially affect the assets, business and/or operations of Ambow Sihua, (iv) distribute dividends to the shareholders in any form (however, upon Ambow Shengying's request, pledgors shall immediately distribute all of their distributable profits to the shareholders), or (v) transfer or dispose of the pledged equity in any way. The share pledge agreements shall remain in effect until the technology service agreement is terminated and the secured debt is fully repaid. The share pledge agreements may be unilaterally terminated by Ambow Shengying. Neither of Xuejun Xie and Gang Huang is entitled to unilaterally terminate the share pledge agreements. Without Ambow Shengying's prior written consent, pledgors shall not transfer any of their rights or obligations under the share pledge agreements to any other party. Ambow Shengying shall have the right to transfer to any third party any of its rights or obligations under the share pledge agreements and any of its rights or obligations under other agreements contemplated by the share pledge agreements without pledgor's prior consent. If any dispute arises between the parties in connection with the interpretation and performance of the provisions thereunder, the parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall have the right to submit such dispute to the CIETAC for arbitration in accordance with its then-effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the parties.

*Call Option Agreements* Pursuant to the call option agreement, dated October 31, 2009 and further amended by a supplementary agreement dated March 4, 2010, between Ambow Online and Xuejun Xie, a shareholder of Ambow Sihua, and the call option agreement, dated March 4, 2010, between Ambow Online and Xiaogang Feng, a shareholder of Ambow Sihua, each of Xuejun Xie and Xiaogang Feng irrevocably granted Ambow Online or its designee an exclusive option to purchase, to the extent permitted under PRC laws, all or part of her or his equity interest in Ambow Sihua. Ambow Online, Xuejun Xie and Xiaogang Feng terminated the abovementioned call option agreements and supplementary agreements by entering into a termination agreement on June 29, 2017. Ambow Shengying, Xuejun Xie and Gang Huang entered into a new call option agreement on June 29, 2017, pursuant to which Ambow Shengying or its designee has an option to purchase from each of Xuejun Xie and Gang Huang, to the extent permitted under PRC laws, all or part of his or her equity interest in Ambow Sihua at any time during the term of the agreement. The exercise price of such option shall be all or part, as applicable, of the initial amount of the registered capital contributed by such shareholder to acquire such equity interest in Ambow Sihua and may be paid by the cancellation of indebtedness owed by such shareholder to Ambow Shengying, or the minimum amount of consideration permitted by applicable PRC law at the time when such transfer occurs, in which case we will pay the exercise price through, to the extent necessary, a combination of cash and cancellation of indebtedness owed by such shareholder to Ambow Shengying. Ambow Shengying or its designee shall have sole discretion to decide when to exercise the option, whether in part or in full. Currently, we do not expect to exercise such option in the foreseeable future. Without Ambow Shengying's written consent, each of Xuejun Xie and Gang Huang shall not (i) transfer the equity interest in Ambow Sihua to any third party, (ii) supplement, alter or modify the articles of association of Ambow Sihua in any form, or increase or decrease Ambow Sihua's registered capital, or otherwise change the structure of its registered capital, or (iii) incur, assume, guarantee or allow the existence of any debt other than the debt that (x) arises in the normal or routine course of business rather than out of borrowing or (y) has been disclosed to and approved in writing by Ambow Shengying. Xuejun Xie and Gang Huang represent and warrant that during the term of the call option agreements, Xuejun Xie, Gang Huang and Ambow Sihua have not engaged in and shall not engage in any act or omission that may cause any losses to Ambow Shengying and may cause any reduction in value of the equity interests in Ambow Sihua held by Xuejun Xie and Gang Huang. This agreement has been in effect as of the date when the authorized representatives of the parties duly execute the agreement, and shall remain effective until the termination of the loan agreement. Unless otherwise provided therein, Ambow Shengying shall have the right to terminate this agreement early upon twenty days' prior notice, but neither of Xuejun Xie and Gang Huang shall terminate this agreement early. Ambow Shengying shall have the right to transfer its rights under the call option agreements and other agreements contemplated by the call option agreements at its sole discretion to any third party without Xuejun Xie and Gang Huang's consent. All disputes arising out of or in connection with this agreement shall be settled by the parties through good faith consultations. If no agreement can be reached through consultations within sixty days after one party receives a notice from other party requesting the beginning of such consultations or as otherwise agreed by the parties, either party shall have the right

to submit relevant disputes to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both parties.

*Powers of Attorney* . Pursuant to the powers of attorney, dated October 31, 2009 and March 4, 2010, respectively, each of Xuejun Xie and Xiaogang Feng irrevocably entrusted all the rights to exercise her or his voting power to Ambow Online. Xuejun Xie and Xiaogang Feng terminated these powers of attorney on June 29, 2017. Xuejun Xie and Gang Huang entered into new powers of attorney on June 29, 2017, pursuant to which each of Xuejun Xie and Gang Huang irrevocably entrusted all the rights to exercise her or his voting power to Ambow Shengying, including without limitation, the power to sell, transfer or pledge, in whole or in part, her or his equity interest in Ambow Sihua and nominate and appoint the legal representative, directors, supervisors, general managers and other senior management of Ambow Sihua during the term of the share pledge. The powers of attorney have been in effect since the date of execution. Unless terminated as agreed by the shareholders of Ambow Sihua and Ambow Shengying, the powers of attorney shall be irrevocable and remain effective during the term of pledge.

*Loan Agreement* . Ambow Online and Xiaogang Feng entered into a loan agreement on March 4, 2010, in which Ambow Online loaned RMB 40.0 million to Xiaogang Feng to fund the registered capital requirements of Ambow Sihua. Ambow Online and Xiaogang Feng terminated the abovementioned loan agreement by entering into a termination agreement on June 29, 2017. Ambow Shengying, Gang Huang entered into a new loan agreement on June 29, 2017, pursuant to which Ambow Shengying loaned RMB 40 million to Gang Huang. To the extent permitted by PRC laws, such loan shall be deemed to have been repaid upon the transfer of the equity interest in Ambow Sihua held by Gang Huang to Ambow Shengying or its designee. To the extent permitted by the PRC laws, Ambow Shengying shall determine at its sole discretion the timing and method of the repayment of the loan under the loan agreement and notify the borrower in writing of such arrangements seven days in advance. The borrower shall not repay the loan early to Ambow Shengying unless Ambow Shengying notifies the borrower in writing that the loan has expired or as otherwise provided under the loan agreement. The borrower shall not assign his or her rights and obligations under the loan agreement to any third party without Ambow Shengying's prior written consent. The loan agreement has been in effect since the date of execution by the parties and shall remain effective until the borrower fully repays the loan under the agreement. If any dispute arises between the parties in connection with the interpretation and performance of the terms, the parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either party may submit such dispute to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be held in Chinese in Beijing. The award of the arbitration shall be final and binding on both parties.

#### *Agreements that provide effective control over Ambow Rongye*

We have entered into a series of agreements with Ambow Rongye and its shareholders. These agreements provide us with the ability to control Ambow Rongye and grant us the exclusive option to purchase all of the equity interests of Ambow Rongye. These agreements include:

*Share Pledge Agreement* . Pursuant to the share pledge agreement, dated September 8, 2015, among Ambow Shengying, Xuejun Xie and Gang Huang, each a shareholder of Ambow Rongye, each of Xuejun Xie and Gang Huang pledged all of their equity interest in Ambow Rongye to Ambow Shengying to secure the performance of Ambow Rongye under a technology service agreement between Ambow Shengying and Ambow Rongye dated September 8, 2015. If (a) Ambow Rongye fails to fulfill its payment obligation or other related obligations to pledgee in accordance with the provisions of technology service agreement, or (b) the pledgors breach their duties or obligations thereunder, the pledgee shall have the right to exercise the pledge in any manner at any time it deems appropriate to the extent permitted by applicable law during the term of pledge, including without limitation: (a) to negotiate with the pledgors to discharge the secured debt with the pledged equity at a discount rate; (b) to sell off the pledged equity and use the proceeds thereof to discharge the secured debt; (c) to retain a relevant agency to auction all or part of the pledged equity; and/or (d) to otherwise dispose of the pledged equity appropriately to the extent permitted by applicable law. Each shareholder of Ambow Rongye also agreed that, without Ambow Shengying's prior written consent, each of Xuejun Xie and Gang Huang shall not (i) make a proposal to amend the articles of association of Ambow Rongye or cause the making of such proposal, or increase or reduce Ambow Rongye's registered capital, or otherwise change the structure of its registered capital, (ii) create any further security, encumbrances and any third party's rights on the pledged equity in addition to the pledge created under the share pledge agreements, (iii) perform any act that may prejudice any rights of Ambow Shengying under the share pledge agreements, or any act that may materially affect the assets, business and/or operations of Ambow Rongye, (iv) distribute dividends to the shareholders in any form (however, upon Ambow Shengying's request, the pledgors shall immediately distribute all of their distributable profits to the shareholders), or (v) transfer or dispose of the pledged equity in any way. The share pledge agreements shall remain in effect until the technology service agreement is terminated and the secured debt is fully repaid. Without Ambow Shengying's prior written consent, the pledgors shall not transfer any of their rights or obligations under the share pledge agreement to any other party. Ambow Shengying shall have the right to transfer to any third party any of its rights or obligations under the share pledge agreement and any of its rights or obligations under other agreements contemplated by the share pledge agreement without the pledgor's prior consent. The share pledge agreement shall remain in effect until the secured debt is fully repaid. The share pledge agreement may be unilaterally terminated by Ambow Shengying. None of Xuejun Xie or Gang Huang is entitled to unilaterally terminate the share pledge agreement. If any dispute arises between the parties in connection with the interpretation and performance of the provisions thereunder, the parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the parties. The share pledge has been registered with the local SAIC.



*Call Option Agreement* . Pursuant to the call option agreement, dated September 8, 2015, among Ambow Shengying, Xuejun Xie, and Gang Huang, each a shareholder of Ambow Rongye, each of Xuejun Xie and Gang Huang irrevocably granted Ambow Shengying or its designee an exclusive option to purchase, to the extent permitted under PRC laws, all or part of his or her equity interest in Ambow Rongye. The exercise price of such option shall be all or part, as applicable, of the initial amount of the registered capital contributed by such shareholder to acquire such equity interest in Ambow Rongye and may be paid by the cancellation of indebtedness owed by such shareholder to Ambow Shengying, or the minimum amount of consideration permitted by applicable PRC law at the time when such transfer occurs, in which case we will pay the exercise price through, to the extent necessary, a combination of cash and cancellation of indebtedness owed by such shareholder to Ambow Shengying. Ambow Shengying or its designee shall have sole discretion to decide when to exercise the option, whether in part or in full. Currently, we do not expect to exercise such option in the foreseeable future. Without Ambow Shengying's written consent, each of Xuejun Xie and Gang Huang shall not transfer his or her equity interest in Ambow Rongye to any third party. Xuejun Xie and Gang Huang represent and warrant that (i) except for the pledge granted under the share pledge agreement, they have not created or allowed any option, call option, pledge, or other equity interest or security interest on their equity interests in Ambow Rongye without Ambow Shengying's written consent, and (ii) during the term of the call option agreement, Xuejun Xie, Gang Huang and Ambow Rongye have not engaged in and shall not engage in any act or omission that may cause any losses to Ambow Shengying and may cause any reduction in value of the equity interests in Ambow Rongye held by Xuejun Xie and Gang Huang. This agreement has been in effect since the date when the authorized representatives of the parties duly execute the agreement, and shall remain effective until the termination of the loan agreement. Unless otherwise provided therein, Ambow Shengying shall have the right to terminate this agreement early upon twenty days' prior notice, but Xuejun Xie and Gang Huang shall not terminate this agreement early. Ambow Shengying shall have the right to transfer its rights under the agreement and other agreements contemplated by the agreement at its sole discretion to any third party without Xuejun Xie and Gang Huang's consent. All disputes arising out of or in connection with this agreement shall be settled by the parties through good faith consultations. If no agreement can be reached through consultations within sixty days after one party receives a notice from other party requesting the beginning of such consultations or as otherwise agreed by the parties, either party shall have the right to submit relevant disputes to CIETAC for arbitration in accordance with its then effective arbitration rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both parties.

*Powers of Attorney* . Under powers of attorney, each dated September 8, 2015, each of Xuejun Xie and Gang Huang granted to Ambow Shengying the power to exercise all of his or her voting rights of Ambow Rongye during the term of the share pledge. The powers of attorney shall come into effect upon the date of execution. Unless terminated as agreed by the shareholders of Ambow Rongye and Ambow Shengying, the powers of attorney shall remain effective during the term of pledge.

*Loan Agreement* . Pursuant to the loan agreement among Ambow Shengying, Xuejun Xie and Gang Huang dated September 8, 2015, Ambow Shengying loaned RMB 6 million to Xuejun Xie and RMB 4 million to Gang Huang to fund the registered capital requirements of a domestic PRC company. Ambow later formed Ambow Rongye to serve as this domestic PRC company. To the extent permitted by the relevant PRC laws, Ambow Shengying shall determine at its sole discretion the timing and method of the repayment of the loans and notify borrowers in writing of such arrangements seven days in advance. Borrowers and Ambow Shengying further agree that borrowers shall not repay the loan to Ambow Shengying early unless Ambow Shengying notifies borrowers in writing that the loans thereunder have expired or as otherwise provided therein. To the extent permitted by PRC laws, each loan shall be deemed to have been repaid upon the transfer of the equity interest held by each of Xuejun Xie and Gang Huang in Ambow Rongye to Ambow Shengying. This agreement has been in effect since the date of execution by the parties and shall remain effective until the borrowers fully repay the loans under this agreement. If any dispute arises between the parties in connection with the interpretation and performance of the terms thereof, the parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either party may submit such dispute to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Chinese in Beijing. The award of the arbitration shall be final and binding upon the disputing parties.

#### *Agreements that provide effective control over Ambow Zhixin*

We have entered into a series of agreements with Ambow Zhixin and its shareholders. These agreements provide us with the ability to control Ambow Zhixin and grant us the exclusive option to purchase all of the equity interests of Ambow Zhixin. These agreements include:

*Share Pledge Agreement* . Pursuant to the share pledge agreement, dated October 14, 2015, among Ambow Shengying, Xuejun Xie and Gang Huang, each a shareholder of Ambow Zhixin, each of Xuejun Xie and Gang Huang pledged all of their equity interest in Ambow Zhixin to Ambow Shengying to secure the performance of Ambow Zhixin under a technology service agreement between Ambow Shengying and Ambow Zhixin dated October 14, 2015. If (a) Ambow Zhixin fails to fulfill its payment obligation or other related obligations to the pledgee in accordance with the provisions of technology service agreement, or (b) the pledgors breach their duties or obligations thereunder, the pledgee shall have the right to exercise the pledge in any manner at any time it deems appropriate to the extent permitted by applicable law during the term of pledge, including without limitation: (a) to negotiate with the pledgors to discharge the secured debt with the pledged equity at a discount rate; (b) to sell off the pledged equity and use the proceeds thereof to discharge the secured debt; (c) to retain a relevant agency to auction all or part of the pledged equity; and/or (d) to otherwise dispose of the pledged equity appropriately to the extent permitted by applicable law. Each shareholder of Ambow Zhixin also agreed that, without Ambow Shengying's prior written consent, each of Xuejun Xie and Gang Huang shall not (i) make a proposal to amend the articles of association of Ambow Zhixin or cause the making of such proposal, or increase or reduce Ambow Zhixin's registered capital, or otherwise change the structure of its registered capital, (ii) create any further security, encumbrances and any third party's rights on the pledged equity in addition to the pledge created under the share pledge agreements, (iii) perform any act that may prejudice any rights of Ambow Shengying under the share pledge agreements, or any act that may materially affect the assets, business and/or operations of Ambow Zhixin, (iv) distribute dividends to the shareholders in any form (however, upon Ambow Shengying's request, the pledgors shall immediately distribute all of their distributable profits to the shareholders), or (v) transfer or dispose of the pledged equity in any way. The share pledge agreements shall remain in effect until the technology service agreement is terminated and the secured debt is fully repaid. Without Ambow Shengying's prior written consent, the pledgors shall not transfer any of their rights or obligations under the share pledge agreement to any other party. Ambow Shengying shall have the right to transfer to any third party any of its rights or obligations under the share pledge agreement and any of its rights or obligations under other agreements contemplated by the share pledge agreement without the pledgor's prior consent. The share pledge agreement shall remain in effect until the secured debt is fully repaid. The share pledge agreement may be unilaterally terminated by Ambow Shengying. None of Xuejun Xie or Gang Huang is entitled to unilaterally terminate the share pledge agreement. If any dispute arises between the parties in connection with the interpretation and performance of the provisions thereunder, the parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the parties. The share pledge has been registered with the local SAIC.

*Call Option Agreement* . Pursuant to the call option agreement, dated October 14, 2015, among Ambow Shengying, Xuejun Xie and Gang Huang, each a shareholder of Ambow Zhixin, each of Xuejun Xie and Gang Huang irrevocably granted Ambow Shengying or its designee an exclusive option to purchase, to the extent permitted under PRC laws, all or part of his or her equity interest in Ambow Zhixin. The exercise price of such option shall be all or part, as applicable, of the initial amount of the registered capital contributed by such shareholder to acquire such equity interest in Ambow Zhixin and may be paid by the cancellation of indebtedness owed by such shareholder to Ambow Shengying, or the minimum amount of consideration permitted by applicable PRC law at the time when such transfer occurs, in which case we will pay the exercise price through, to the extent necessary, a combination of cash and cancellation of indebtedness owed by such shareholder to Ambow Shengying. Ambow Shengying or its designee shall have sole discretion to decide when to exercise the option, whether in part or in full. Currently, we do not expect to exercise such option in the foreseeable future. Without Ambow Shengying's written consent, each of Xuejun Xie and Gang Huang shall not transfer his or her equity interest in Ambow Zhixin to any third party. Xuejun Xie and Gang Huang represent and warrant that (i) except for the pledge granted under the share pledge agreement, they have not created or allowed any option, call option, pledge, or other equity interest or security interest on their equity interests in Ambow Zhixin without Ambow Shengying's written consent, and (ii) during the term of the call option agreement, Xuejun Xie, Gang Huang and Ambow Zhixin have not engaged in and shall not engage in any act or omission that may cause any losses to Ambow Shengying and may cause any reduction in value of the equity interests in Ambow Zhixin held by Xuejun Xie and Gang Huang. This agreement has been in effect since the date when the authorized representatives of the parties duly execute the agreement, and shall remain effective until the termination of the loan agreement. Unless otherwise provided therein, Ambow Shengying shall have the right to terminate this agreement early upon twenty days' prior notice, but Xuejun Xie and Gang Huang shall not terminate this agreement early. Ambow Shengying shall have the right to transfer its rights under the agreement and other agreements contemplated by the agreement at its sole discretion to any third party without Xuejun Xie and Gang Huang's consent. All disputes arising out of or in connection with this agreement shall be settled by the parties through good faith consultations. If no agreement can be reached through consultations within sixty days after one party receives a notice from other party requesting the beginning of such consultations or as otherwise agreed by the parties, either party shall have the right to submit relevant disputes to CIETAC for arbitration in accordance with its then effective arbitration rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both parties.

*Powers of Attorney* . Under powers of attorney, each dated October 14, 2015, each of Xuejun Xie and Gang Huang granted to Ambow Shengying the power to exercise all of his or her voting rights of Ambow Zhixin during the term of the share pledge. The powers of attorney shall come into effect upon the date of execution. Unless terminated as agreed by the shareholders of Ambow Zhixin and Ambow Shengying, the powers of attorney shall remain effective during the term of pledge.

*Loan Agreement* . Pursuant to the loan agreement among Ambow Shengying, Xuejun Xie and Gang Huang dated October 14, 2015, Ambow Shengying loaned RMB 6 million to Xuejun Xie and RMB 4 million to Gang Huang to fund the registered capital requirements of a domestic PRC company. Ambow later formed Ambow Zhixin to serve as this domestic PRC company. To the extent permitted by the relevant PRC laws, Ambow Shengying shall determine at its sole discretion the timing and method of the repayment of the loans and notify borrowers in writing of such arrangements seven days in advance. Borrowers and Ambow Shengying further agree that borrowers shall not repay the loan to Ambow Shengying early unless Ambow Shengying notifies borrowers in writing that the loans thereunder have expired or as otherwise provided therein. To the extent permitted by PRC laws, each loan shall be deemed to have been repaid upon the transfer of the equity interest held by each of Xuejun Xie and Gang Huang in Ambow Zhixin to Ambow Shengying. This agreement has been in effect since the date of execution by the parties and shall remain effective until the borrowers fully repay the loans under this agreement. If any dispute arises between the parties in connection with the interpretation and performance of the terms thereof, the parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either party may submit such dispute to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Chinese in Beijing. The award of the arbitration shall be final and binding upon the disputing parties.

## *Agreements that provide effective control over IValley*

We have entered into a series of agreements with IValley and its shareholders. These agreements provide us with the ability to control IValley and grant us the exclusive option to purchase all of the equity interests of IValley. These agreements include:

*Share Pledge Agreement.* Pursuant to the first and second share pledge agreement, dated March 20, 2017 and November 27, 2017, respectively, among Ambow Education Management, Chiao-Ling Hsu and Shu Hui Cai, each a shareholder of IValley, each of Chiao-Ling Hsu and Shu Hui Cai pledged all of their equity interest in IValley to Ambow Education Management to secure the performance of IValley under technology service agreements between Ambow Education Management and IValley dated March 20, 2017 and November 27, 2017. If (a) IValley and its subsidiaries fails to perform their payment obligation or other related obligations to the pledgee in accordance with the provisions of technology service agreement, or (b) the pledgors breach their duties or obligations thereunder, the pledgee shall have the right to exercise the pledge in any manner at any time it deems appropriate to the extent permitted by applicable law during the term of pledge, including without limitation: (a) to negotiate with the pledgors to discharge the secured debt with the pledged equity at a discount rate; (b) to sell off the pledged equity and use the proceeds thereof to discharge the secured debt; (c) to retain a relevant agency to auction all or part of the pledged equity; and/or (d) to otherwise dispose of the pledged equity appropriately to the extent permitted by applicable law. Each shareholder of IValley also agreed that, without Ambow Education Management's prior written consent, each of Chiao-Ling Hsu and Shu Hui Cai shall not (i) make a proposal to amend the articles of association of IValley or cause the making of such proposal, (ii) increase or reduce IValley's registered capital, or otherwise change the structure of its registered capital, (iii) create any further security, encumbrances and any third party's rights on the pledged equity in addition to the pledge created under the share pledge agreements, (iv) perform any act that may prejudice any rights of Ambow Education Management under the share pledge agreements, or any act that may materially affect the assets, business and/or operations of IValley, (v) distribute dividends to the shareholders in any form (however, upon Ambow Education Management's request, the pledgors shall immediately distribute all of their distributable profits to the shareholders), (vi) change the director or supervisor of IValley, or (vii) transfer or dispose of the pledged equity in any way. The share pledge agreements shall remain in effect until the technology service agreement is terminated and the secured debt is fully repaid. Without Ambow Education Management's prior written consent, the pledgors shall not transfer any of their rights or obligations under the share pledge agreement to any other party. Ambow Education Management shall have the right to transfer to any third party any of its rights or obligations under the share pledge agreement and any of its rights or obligations under other agreements contemplated by the share pledge agreement without the pledgor's prior consent. The share pledge agreement shall remain in effect until the secured debt is fully repaid. The share pledge agreement may be terminated by the consent of Ambow Education Management or by mutual agreement of Chiao-Ling Hsu, Shu Hui Cai and Ambow Education Management. If any dispute arises between the parties in connection with the interpretation and performance of the provisions thereunder, the parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall have the right to submit such dispute to The Republic of China Arbitration Association for arbitration in accordance with its then-effective rules. The arbitration shall be held in Taipei. The award of the arbitration shall be final and binding upon the parties.

*Call Option Agreement* Pursuant to the first and second call option agreement, dated March 20, 2017 and November 27, 2017, respectively, among Ambow Education Management, Chiao-Ling Hsu and Shu Hui Cai, each a shareholder of IValley, each of Chiao-Ling Hsu and Shu Hui Cai irrevocably granted Ambow Education Management or its designee an option to purchase, to the extent permitted by laws, all or part of his or her equity interest in IValley. The exercise price of such option shall be equal to the initial amount of the registered capital contributed by such shareholder in exchange for such equity interest in IValley and may be paid by the cancellation of indebtedness owed by such shareholder to Ambow Education Management. Ambow Education Management or its designee shall have the right to exercise the call option in any way permitted by law at any time within the term of the option upon effectiveness of the agreement. Currently, we do not expect to exercise such option in the foreseeable future. Without Ambow Education Management's written consent, each of Chiao-Ling Hsu and Shu Hui Cai shall not transfer his or her equity interest in IValley to any third party. Chiao-Ling Hsu and Shu Hui Cai represent and warrant that (i) except for the pledge granted under the share pledge agreement, they have not created or allowed any option, call option, pledge, or other equity interest or security interest on their equity interests in IValley without Ambow Education Management's written consent, and (ii) during the term of the call option agreement, Chiao-Ling Hsu, Shu Hui Cai and IValley have not engaged in and shall not engage in any act or omission that may cause any losses to Ambow Education Management and may cause any reduction in value of the equity interests in IValley held by Chiao-Ling Hsu and Shu Hui Cai. This agreement has been in effect since the date when the authorized representatives of the parties duly execute the agreement, and shall remain effective until the termination of the loan agreement. Unless otherwise provided therein, Ambow Education Management shall have the right to terminate this agreement early upon twenty days' prior notice, but Chiao-Ling Hsu and Shu Hui Cai shall not terminate this agreement early. All disputes arising out of or in connection with this agreement shall be settled by the parties through good faith consultations. If no agreement can be reached through consultations within sixty days after one party receives a notice from other party requesting the beginning of such consultations or as otherwise agreed by the parties, either party shall have the right to submit relevant disputes to The Republic of China Arbitration Association for arbitration in accordance with its then effective arbitration rules. The arbitration shall be held in Taipei. The award of the arbitration shall be final and binding on both parties.

*Powers of Attorney* Under the first and second powers of attorney, each dated March 20, 2017 and November 27, 2017, respectively, each of Chiao-Ling Hsu and Shu Hui Cai granted to Ambow Education Management the power to exercise all of his or her voting rights of IValley during the term of the share pledge. The powers of attorney shall come into effect upon the date of execution. Unless terminated as agreed by the shareholders of IValley and Ambow Education Management, the powers of attorney shall remain effective during the term of pledge.

*Loan Agreement* Pursuant to the loan agreement among Ambow Education Management, Chiao-Ling Hsu and Shu Hui Cai dated February 10, 2017, Ambow Education Management loaned TWD 3.0 million to Chiao-Ling Hsu and TWD 2.0 million to Shu Hui Cai to fund the registered capital requirements of IValley. The second loan agreement dated July 28, 2017 was signed among Ambow Education Management, Chiao-Ling Hsu and Shu Hui Cai, which Ambow Education Management loaned TWD 7.2 million to Chiao-Lin Hsu and TWD 4.8 million to Shu Hui Cai to fund the increased registered capital of IValley. Ambow Education Management, Chiao-Ling Hsu and Shu Hui Cai mutually agree and confirm that the period of both loans are 10 months from the date of activation. The loan period cannot be extended without the consent from Ambow Education Management, and the way of return is determined by Ambow Education Management. To the extent permitted by Taiwan laws, each loan shall be deemed to have been repaid in the amount to the price of the transferred equity interest upon the transfer of the equity interest held by each of Chiao-Ling Hsu and Shu Hui Cai in IValley to Ambow Education Management. This agreement has been in effect since the date of execution by the parties and shall remain effective until the borrowers fully repay the loans under this agreement. If any dispute arises between the parties in connection with the interpretation and performance of the terms thereof, the parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either party may submit such dispute to The Republic of China Arbitration Association for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Taipei.

#### *Agreements that provide effective control over Beijing Le'An*

We have entered into a series of agreements with Beijing Le'An and its shareholders. These agreements provide us with the ability to control Beijing Le'An and grant us the exclusive option to purchase all of the equity interests of Beijing Le'An. These agreements include:

*Share Pledge Agreement* . Pursuant to the share pledge agreement, dated May 25, 2020, among BoheLe, Yuan Hao and Yue Liu, each a shareholder of Beijing Le'An, each of Yuan Hao and Yue Liu pledged all of their equity interest in Beijing Le'An to BoheLe to secure the performance of Beijing Le'An under a technology service agreement between BoheLe and Beijing Le'An dated May 25, 2020. If (a) Beijing Le'An fails to fulfill its payment obligation or other related obligations to the pledgee in accordance with the provisions of technology service agreement, or (b) the pledgors breach their duties or obligations thereunder, the pledgee shall have the right to exercise the pledge in any manner at any time it deems appropriate to the extent permitted by applicable law during the term of pledge, including without limitation: (a) to negotiate with the pledgors to discharge the secured debt with the pledged equity at a discount rate; (b) to sell off the pledged equity and use the proceeds thereof to discharge the secured debt; (c) to retain a relevant agency to auction all or part of the pledged equity; and/or (d) to otherwise dispose of the pledged equity appropriately to the extent permitted by applicable law. Each shareholder of Beijing Le'An also agreed that, without BoheLe's prior written consent, each of Yuan Hao and Yue Liu shall not (i) make a proposal to amend the articles of association of Beijing Le'An or cause the making of such proposal, or increase or reduce Beijing Le'An's registered capital, or otherwise change the structure of its registered capital, (ii) create any further security, encumbrances and any third party's rights on the pledged equity in addition to the pledge created under the share pledge agreements, (iii) perform any act that may prejudice any rights of BoheLe under the share pledge agreements, or any act that may materially affect the assets, business and/or operations of Beijing Le'An, (iv) distribute dividends to the shareholders in any form (however, upon BoheLe's request, the pledgors shall immediately distribute all of their distributable profits to the shareholders), or (v) transfer or dispose of the pledged equity in any way. The share pledge agreements shall remain in effect until the technology service agreement is terminated and the secured debt is fully repaid. Without BoheLe's prior written consent, the pledgors shall not transfer any of their rights or obligations under the share pledge agreement to any other party. BoheLe shall have the right to transfer to any third party any of its rights or obligations under the share pledge agreement and any of its rights or obligations under other agreements contemplated by the share pledge agreement without the pledgor's prior consent. The share pledge agreement shall remain in effect until the secured debt is fully repaid. The share pledge agreement may be unilaterally terminated by BoheLe. None of Yuan Hao or Yue Liu is entitled to unilaterally terminate the share pledge agreement. If any dispute arises between the parties in connection with the interpretation and performance of the provisions thereunder, the parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or as otherwise agreed, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the parties. The share pledge has been registered with the local SAIC.

*Call Option Agreement* . Pursuant to the call option agreement, dated May 25, 2020, among BoheLe, Yuan Hao and Yue Liu, each a shareholder of Beijing Le'An, each of Yuan Hao and Yue Liu irrevocably granted BoheLe or its designee an exclusive option to purchase, to the extent permitted under PRC laws, all or part of his or her equity interest in Beijing Le'An. The exercise price of such option shall be all or part, as applicable, of the initial amount of the registered capital contributed by such shareholder to acquire such equity interest in Beijing Le'An and may be paid by the cancellation of indebtedness owed by such shareholder to BoheLe, or the minimum amount of consideration permitted by applicable PRC law at the time when such transfer occurs, in which case we will pay the exercise price through, to the extent necessary, a combination of cash and cancellation of indebtedness owed by such shareholder to BoheLe. BoheLe or its designee shall have sole discretion to decide when to exercise the option, whether in part or in full. Currently, we do not expect to exercise such option in the foreseeable future. Without BoheLe's written consent, each of Yuan Hao and Yue Liu shall not transfer his or her equity interest in Beijing Le'An to any third party. Yuan Hao and Yue Liu represent and warrant that (i) except for the pledge granted under the share pledge agreement, they have not created or allowed any option, call option, pledge, or other equity interest or security interest on their equity interests in Beijing Le'An without BoheLe's written consent, and (ii) during the term of the call option agreement, Yuan Hao, Yue Liu and Beijing Le'An have not engaged in and shall not engage in any act or omission that may cause any losses to BoheLe and may cause any reduction in value of the equity interests in Beijing Le'An held by Yuan Hao and Yue Liu. This agreement has been in effect since the date when the authorized representatives of the parties duly execute the agreement, and shall remain effective until the termination of the loan agreement. Unless otherwise provided therein, BoheLe shall have the right to terminate this agreement early upon twenty days' prior notice, but Yuan Hao and Yue Liu shall not terminate this agreement early. BoheLe shall have the right to transfer its rights under the agreement and other agreements contemplated by the agreement at its sole discretion to any third party without Yuan Hao and Yue Liu's consent. All disputes arising out of or in connection with this agreement shall be settled by the parties through good faith consultations. If no agreement can be reached through consultations within sixty days after one party receives a notice from other party requesting the beginning of such consultations or as otherwise agreed by the parties, either party shall have the right to submit relevant disputes to CIETAC for arbitration in accordance with its then effective arbitration rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both parties.

*Powers of Attorney* . Under powers of attorney, each dated May 25, 2020, each of Yuan Hao and Yue Liu granted to BoheLe the power to exercise all of his or her voting rights of Beijing Le'An during the term of the share pledge. The powers of attorney shall come into effect upon the date of execution. Unless terminated as agreed by the shareholders of Beijing Le'An and BoheLe, the powers of attorney shall remain effective during the term of pledge.

*Loan Agreement* . Pursuant to the loan agreement among BoheLe, Yuan Hao and Yue Liu dated May 25, 2020, BoheLe loaned RMB 3.0 million to Yuan Hao and RMB 2.0 million to Yue Liu to fund the registered capital requirements of a domestic PRC company. Ambow later formed Beijing Le'An to serve as this domestic PRC company. To the extent permitted by the relevant PRC laws, BoheLe shall determine at its sole discretion the timing and method of the repayment of the loans and notify borrowers in writing of such arrangements seven days in advance. Borrowers and BoheLe further agree that borrowers shall not repay the loan to BoheLe early unless BoheLe notifies borrowers in writing that the loans thereunder have expired or as otherwise provided therein. To the extent permitted by PRC laws, each loan shall be deemed to have been repaid upon the transfer of the equity interest held by each of Yuan Hao and Yue Liu in Beijing Le'An to BoheLe. This agreement has been in effect since the date of execution by the parties and shall remain effective until the borrowers fully repay the loans under this agreement. If any dispute arises between the parties in connection with the interpretation and performance of the terms thereof, the parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either party may submit such dispute to CIETAC for arbitration in accordance with its then-effective arbitration rules. The arbitration shall be conducted in Chinese in Beijing. The award of the arbitration shall be final and binding upon the disputing parties.

## ***Agreements that transfer economic benefits to us***

### ***Agreements that transfer economic benefits to us from Ambow Shida and its subsidiaries***

*Exclusive Cooperation Agreement or technology service agreement* Ambow Online and Ambow Shida entered into an exclusive cooperation agreement on January 31, 2005, which was revised on May 13, 2010. This agreement was terminated and replaced by a technology service agreement entered between Ambow Chuangying and Ambow Shida on June 29, 2017. Ambow Chuangying and Ambow Shida terminated this technology service agreement on June 14, 2020. BoheLe and Ambow Shida entered into a technology service agreement on June 15, 2020, pursuant to which BoheLe has the exclusive right to provide to Ambow Shida technical support and marketing consulting services. Without BoheLe's written consent, Ambow Shida shall not transfer, pledge or assign to any third party the rights and obligations under this agreement. The agreement can be terminated by mutual agreement, by written notice from BoheLe to Ambow Shida. In the event of any dispute with respect to the interpretation and implementation of this agreement, the parties shall negotiate in good faith to resolve the dispute. In the event the parties fail to reach an agreement on the resolution of such dispute within 60 days after on party receives the notice of the other party requesting the beginning of discussion or any longer period agreed upon separately by the parties, either party may submit such dispute to CIETAC for arbitration in accordance with its then-effective arbitration rules. We have not received any payment of service fees contemplated by this agreement.

### ***Agreement that transfer economic benefits to us from Ambow Shanghai and its subsidiaries***

*Technology Service Agreement* Ambow Online and Ambow Shanghai entered into a technology service agreement on October 31, 2009, which was terminated on June 29, 2017. Ambow Shengying and Ambow Shanghai entered into a technology service agreement on June 29, 2017, pursuant to which Ambow Shengying has the exclusive right to provide to Ambow Shanghai (i) education or training solutions; (ii) employee training and technical support; and (iii) management and consulting services related to Ambow Shanghai's operations, in exchange for certain service fees to be agreed to by the parties from time to time. Ambow Shanghai shall not engage any other third party as its technology service provider without Ambow Shengying's prior written consent during the term of this agreement, while Ambow Shengying shall have the right to provide other entities or individuals with the technology service equivalent or similar to that under this agreement and to appoint other entities or individuals to provide the technology service under this agreement. The term of this agreement is indefinite and the agreement may be terminated by Ambow Shengying upon either 15 days' notice or Ambow Shanghai's failure to cure its breach of the agreement or by mutual written agreement at any time. Ambow Shanghai shall not assign its rights and obligations under this agreement to any third party without Ambow Shengying's prior written consent, while Ambow Shengying may assign its rights and obligations under this agreement to any third party at its sole discretion. If any dispute arises in connection with the interpretation and performance of this agreement, the parties shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or any longer period agreed upon separately by the parties, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The award of the arbitration shall be final and binding upon the parties. We have not received any payment of service fees contemplated by this agreement.

### ***Agreement that transfer economic benefits to us from Ambow Sihua and its subsidiaries***

*Technology Service Agreement* Ambow Online and Ambow Sihua entered into a technology service agreement on October 31, 2009, which was terminated on June 29, 2017. Ambow Shengying and Ambow Sihua entered into a technology service agreement on June 29, 2017, pursuant to which Ambow Shengying has the exclusive right to provide to Ambow Sihua (i) education or training solutions; (ii) employee training and technical support; and (iii) management and consulting services related to Ambow Sihua's operations, in exchange for certain service fees to be agreed to by the parties from time to time. Ambow Sihua shall not engage any other third party as its technology service provider without Ambow Shengying's prior written consent during the term of this agreement, while Ambow Shengying shall have the right to provide other entities or individuals with the technology service equivalent or similar to that under this agreement and to appoint other entities or individuals to provide the technology service under this agreement. The term of this agreement is indefinite and the agreement may be terminated by Ambow Shengying upon either 15 days' notice or Ambow Sihua's failure to cure its breach of the agreement or by mutual written agreement at any time. Ambow Sihua shall not assign its rights and obligations under this agreement to any third party without Ambow Shengying's prior written consent, while Ambow Shengying may assign its rights and obligations under this agreement to any third party at its sole discretion. If any dispute arises in connection with the interpretation and performance of this agreement, the parties shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or any longer period agreed upon separately by the parties, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The award of the arbitration shall be final and binding upon the parties. We have not received any payment of service fees contemplated by this agreement.

*Agreement that transfer economic benefits to us from Ambow Rongye and its subsidiaries*

*Technology Service Agreement* Pursuant to the technology service agreement, dated September 8, 2015, by and between Ambow Shengying and Ambow Rongye, Ambow Shengying has the exclusive right to provide to Ambow Rongye (i) education or training solutions; (ii) employee training and technical support; (iii) management and consulting services related to Ambow Rongye's operations; and (iv) other service arrangements under the consents from both Ambow Shengying and Ambow Rongye, in exchange for certain service fees to be agreed to by the parties from time to time. Ambow Rongye shall not engage any other third party as its technology service provider without Ambow Shengying's prior written consent during the term of this agreement, while Ambow Shengying shall have the right to provide other entities or individuals with the technology service equivalent or similar to that under this agreement and to appoint other entities or individuals to provide the technology service under this agreement. The term of this agreement is indefinite and the agreement may be terminated by Ambow Shengying upon either 15 days' notice or Ambow Rongye's failure to cure its breach of the agreement or by mutual written agreement at any time. Ambow Rongye shall not assign its rights and obligations under this agreement to any third party without Ambow Shengying's prior written consent, while Ambow Shengying may assign its rights and obligations under this agreement to any third party at its sole discretion. If any dispute arises in connection with the interpretation and performance of this agreement, the parties shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or any longer period agreed upon separately by the parties, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The award of the arbitration shall be final and binding upon the parties. We have not received any payment of service fees contemplated by this agreement.

*Agreement that transfer economic benefits to us from Ambow Zhixin and its subsidiaries*

*Technology Service Agreement* Pursuant to the technology service agreement, dated October 14, 2015, by and between Ambow Shengying and Ambow Zhixin, Ambow Shengying has the exclusive right to provide to Ambow Zhixin (i) education or training solutions; (ii) employee training and technical support; (iii) management and consulting services related to Ambow Zhixin's operations; and (iv) other service arrangements under the consents from both Ambow Shengying and Ambow Zhixin, in exchange for certain service fees to be agreed to by the parties from time to time. Ambow Zhixin shall not engage any other third party as its technology service provider without Ambow Shengying's prior written consent during the term of this agreement, while Ambow Shengying shall have the right to provide other entities or individuals with the technology service equivalent or similar to that under this agreement and to appoint other entities or individuals to provide the technology service under this agreement. The term of this agreement is indefinite and the agreement may be terminated by Ambow Shengying upon either 15 days' notice or Ambow Zhixin's failure to cure its breach of the agreement or by mutual written agreement at any time. Ambow Zhixin shall not assign its rights and obligations under this agreement to any third party without Ambow Shengying's prior written consent, while Ambow Shengying may assign its rights and obligations under this agreement to any third party at its sole discretion. If any dispute arises in connection with the interpretation and performance of this agreement, the parties shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or any longer period agreed upon separately by the parties, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The award of the arbitration shall be final and binding upon the parties. We have not received any payment of service fees contemplated by this agreement.

*Agreement that transfers economic benefits to us from IValley and its subsidiaries*

*Technology Service Agreement* Pursuant to the technology service agreement, dated March 20, 2017 and November 27, 2017, by and between Ambow Education Management and IValley, Ambow Education Management has the exclusive right to provide to IValley (i) education or training solutions; (ii) employee training and technical support; (iii) administration and consulting services related to IValley's business operations; and (iv) other technical service arrangements under the consents from both Ambow Education Management and IValley. IValley shall not engage any other third party as its technology service provider without Ambow Education Management's prior written consent during the term of this agreement, while Ambow Education Management shall have the right to provide other entities or individuals with the technology service equivalent or similar to that under this agreement and to appoint other entities or individuals to provide the technology service under this agreement. The term of this agreement is indefinite and the agreement may be terminated by Ambow Education Management upon either 15 days' notice or IValley's failure to cure its breach of the agreement or by mutual written agreement at any time. If any dispute arises in connection with the interpretation and performance of this agreement, the parties shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or any longer period agreed upon separately by the parties, either party shall have the right to submit such dispute to The Republic of China Arbitration Association for arbitration in accordance with its then-effective rules. The arbitration shall be held in Taipei. We have not received any payment of service fees contemplated by this agreement.

*Agreement that transfer economic benefits to us from Beijing Le'An and its subsidiaries*

*Technology Service Agreement* Pursuant to the technology service agreement, dated May 25, 2020, by and between BoheLe and Beijing Le'An, BoheLe has the exclusive right to provide to Beijing Le'An (i) education or training solutions; (ii) employee training and technical support; (iii) management and consulting services related to Beijing Le'An's operations; and (iv) other service arrangements under the consents from both BoheLe and Beijing Le'An, in exchange for certain service fees to be agreed to by the parties from time to time. Beijing Le'An shall not engage any other third party as its technology service provider without BoheLe's prior written consent during the term of this agreement, while BoheLe shall have the right to provide other entities or individuals with the technology service equivalent or similar to that under this agreement and to appoint other entities or individuals to provide the technology service under this agreement. The term of this agreement is indefinite and the agreement may be terminated by BoheLe upon either 15 days' notice or Beijing Le'An's failure to cure its breach of the agreement or by mutual written agreement at any time. Beijing Le'An shall not assign its rights and obligations under this agreement to any third party without BoheLe's prior written consent, while BoheLe may assign its rights and obligations under this agreement to any third party at its sole discretion. If any dispute arises in connection with the interpretation and performance of this agreement, the parties shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty days after one party receives the notice of the other party requesting the beginning of discussions or any longer period agreed upon separately by the parties, either party shall have the right to submit such dispute to CIETAC for arbitration in accordance with its then-effective rules. The award of the arbitration shall be final and binding upon the parties. We have not received any payment of service fees contemplated by this agreement.

## **D. Property, Plant and Equipment**

Our headquarters are located in Beijing, China, where we own approximately 16,146 square meters of office space. We own an aggregate of approximately 75,200 square meters for K-12 schools. In addition, we lease certain properties for our K-12 schools, tutoring centers, career enhancement centers, training offices and career enhancement college campuses.

### **Item 4A Unresolved Staff Comments**

Not applicable.

## **Item 5. Operating and Financial Review and Prospects**

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements for the periods specified including the notes thereto included elsewhere in this annual report on Form 20-F as well as “Item 3.A Key Information—Selected Consolidated Financial Data.” We undertake no obligation to update publicly any forward-looking statements in this annual report on Form 20-F. We are omitting the discussion of the 2018 results of operations. Our financial statements as of and for the period ended December 31, 2018, are included at the end of this Annual Report. A discussion of the fiscal year end 2018 results of operations can be found under Item 5A. Operating Review and Financial Prospects contained in our Annual Report on Form 20-F for the fiscal year ended December 31, 2019 filed on April 22, 2020 and is available for review at [www.sec.gov](http://www.sec.gov).

### **A. Operating Results**

#### **Overview**

Our business addresses three critical demands in the education market of China and U.S., students’ aspirations to be admitted into top secondary and post-secondary schools, the desire for graduates of those schools to obtain more attractive jobs and the need for schools and corporate clients to optimize their teaching and operating environment. We offer high-quality, individualized services and products through our integrated online and offline delivery model powered by our proprietary technologies and robust infrastructure.

Intelligent technology is transforming education industry as students can be no longer restricted by the traditional learning environment. Intelligent campuses and classes are becoming the trend leading to increased efficiency, cost savings, and improved experiences for students and staff. We proactively introduce our intellectualized operational services to more universities and colleges to provide students access to educational resources regardless of the location or device, increasing the potential for learning and teaching through cooperation with peers and experts worldwide and optimizing facilities to create a sustainable campus.

Our net revenues decreased from RMB 583.9 million in 2019 to RMB 532.0 million (US\$ 81.5 million) in 2020. The decrease from 2019 to 2020 was mainly due to fewer boarding and other ancillary services provided at K-12 schools, and less services provided at the tutoring centers, training offices and college campuses as a result of the outbreak of COVID-19, and was partially offset by revenue from NewSchool, which was acquired in March 2020.

Our net loss decreased from RMB 100.4 million in 2019 to RMB 64.0 million (US\$ 9.8 million) in 2020.

Net revenues from our K-12 Schools segment accounted for 53.7% and 54.8% of our total net revenues in 2019 and 2020, respectively. Net revenues from our CP&CE Programs accounted for 46.3% and 45.2% of our total net revenues in 2019 and 2020, respectively.

Due to certain restrictions and qualification requirements under PRC law that applies to foreign investment in China’s education industry, our education business is currently conducted through contractual arrangements among our wholly-owned subsidiaries in China and our consolidated variable interest entities, or VIEs, in China. Our VIEs and their respective subsidiaries hold the licenses and permits necessary to conduct our educational and career enhancement services business in China and directly operate our tutoring centers, K-12 schools and career enhancement centers, develop and distribute educational content, software and other technologies, and operate our online education business. We have entered into Technology Service Agreements or Exclusive Cooperation Agreements with our VIEs pursuant to which we may receive economic benefits in the future. We have, however, entered into additional agreements to sell products and provide services to our VIEs’ subsidiaries. The terms of these sales agreements to our VIEs’ subsidiaries are the same as sales to third parties described further in this section of the annual report.



## Factors affecting our results of operations

### *General factors affecting our results of operations*

We have benefited significantly from the following recent trends in the China educational and career enhancement services market:

- Rapid growth in disposable household income;
- Intense competition in the education sector and the job market;
- Rapid economic growth;
- Increasing hiring needs of existing and new companies doing business in China; and
- The increased availability and utilization of advanced learning technologies to supplement the traditional education delivery model.

The overall economic growth and the increase in the GDP per capita in China have led to a significant increase in spending on education in China. In addition, education is a welcomed and supported industry in China, which means that education service providers often get preferential treatment in terms of infrastructure support and tax rates. We anticipate that the demand for private education and career enhancement training in China will continue to increase as the economy in China continues to grow and as disposable income of urban households continues to rise. However, any adverse changes in the economic conditions or regulatory environment in China may have a material adverse effect on the education and career enhancement industries in China, which in turn may harm our business and results of operations. We are subject to a legal regime consisting of regulations governing various aspects of our business such as regulations on education, software, internet, audio-video broadcasting, tax, information security, privacy, copyright and trademark protection and foreign exchange. These regulations are evolving and are subject to frequent changes which may materially adversely affect our business in all aspects such as the operation of our K-12 schools, tutoring centers, career enhancement centers and training offices through the VIE structure, the engagement of public school teachers and the organization of classes with large-size attendance in our tutoring centers, the establishment of new colleges and the offering of our online services. Although we do not possess the land use right certificates or building ownership certificates with respect to some of our owned real properties, and the lessors of some of our leased properties do not have effective ownership certificates, we believe the risk is remote that our ability to maintain and obtain or renew our licenses or permits for our business operations will be adversely affected by such issues.

### *Specific factors affecting our results of operations*

While our business is influenced by factors affecting the education and career enhancement industries in China generally and by conditions in each of the geographic markets we serve within China, we believe our business is more directly affected by company-specific factors, including, among others:

- *The number of student enrollments* . The number of student enrollments is largely driven by the demand for the educational programs offered by K-12 Schools and CP&CE Programs, the amount of fees we charge, the effectiveness of our marketing and brand promotion efforts, the locations and capacity of our tutoring centers, K-12 schools, career enhancement centers and college, and training offices, our ability to maintain the consistency and quality of our teaching, and our ability to respond to competitive pressures, as well as seasonal factors. We plan to continue to add new offerings to better attract students of different needs and provide cross-selling opportunities.
- *The amount of fees we charge* . We determine course fees for our tutoring and career enhancement services primarily based on demand for our courses, the targeted market for our courses, the geographic location and capacity of the center, costs of delivering our services, and the course fees charged by our competitors for the same or similar courses.

Education services are an investment for the future, especially for children’s education, in China. Steady growth of the economy will likely result in the continuous growth of income and higher consumption levels for China’s citizens, who will have more capital for the education of their children, especially for after-school tutoring. However, we believe that the tuition fees of tutoring services and K-12 schools are less impacted by the ups and downs of the overall economy as we believe that people in China generally cut back on other spending before they reduce their spending on their children’s education.

The maximum tuition fees that a school can charge vary by locations, but usually the regulations governing these price controls take into consideration China’s economic growth in determining whether to approve a tuition increase and in setting the size of the tuition increase. Usually the local governments review and adjust tuition fees every two to three years as necessary to reflect inflation or new educational services that are provided. Price controls by local governments will affect the amount by which we are able to increase our fees charged to students in our K-12 schools and tutoring centers.

- *Our costs and expenses* . We incur costs and expenses at both the head quarter level and at our tutoring centers, K-12 schools, training offices, career enhancement centers and campuses. Our most significant costs are compensation and social welfare paid to/for our teachers, rental and teaching related expenses. A substantial majority of our operating expenses are selling and marketing and general and administrative expenses.

According to the Law for Promoting Private Education revised on November 7, 2016, private schools may be operated as nonprofit schools or profit-making schools, but the nine-year compulsory education schools cannot be operated as profit-making schools. We are currently operating three K-12 schools as profit-making schools with reasonable return and they will be transitioned to be operated as non-profit schools under this revised law. The detailed implementation methods for transition of K-12 schools to non-profit schools have not been issued by local government authorities. We are communicating with local authorities regarding the impact on the operation and registration of the schools. Since we can still maintain control over the daily operation of the schools and has the right to appoint key management, we believe there will not be any significant impact on the operation of these schools before any official reply is issued by local authorities. Although turning into non-profit schools will prohibit the distribution of retained earnings as dividends from these schools, we can still control and allocate the financial resources of the schools in its daily operation. Therefore, we believe there will be no significant financial impact to us as of the date of this report.

### ***Effects of disposals and other strategic plans***

In 2019 and 2020, we closed several subsidiaries and branch companies through the deregistration procedures of local governmental and corporate service institutions, and disposed several subsidiaries. Those subsidiaries and branch companies had no business operations and had accumulated deficits for years. As a result, we recognized gain from deregistration of those subsidiaries and schools in a collective amount of RMB 1.8 million and RMB 4.7 million in 2019 and 2020, respectively.

In June 2019, we entered into a Membership Interest Purchase Agreement with Laureate Education, to acquire 100% of the outstanding membership interest in NewSchool. NewSchool is a for-profit institution of higher education based in San Diego, California, that offers undergraduate and graduate degrees and non-degree certificates in Architecture, Design and Construction Management. This acquisition was closed in March 2020. Please refer to Note 23 Acquisition to the audited consolidated financial statements for details.

There were no other material acquisitions and disposals during the years 2019 and 2020.

### **Key financial performance indicators**

Our key financial performance indicators consist of our net revenues, cost of revenues gross profit and operating expenses, which are discussed in greater detail below. The following table sets forth our net revenues, cost of revenues and gross profit, both in absolute amount and as a percentage of net revenues, for the periods indicated.

	<b>For the Years Ended December 31,</b>					
	<b>2019</b>		<b>2020</b>			
	<b>RMB</b>	<b>%</b>	<b>RMB</b>	<b>US\$</b>	<b>%</b>	
	<b>(in thousands, except percentages)</b>					
Net revenues	583,909	100.0	531,980	81,529	100.0	
Cost of revenues	(388,894)	(66.6)	(387,490)	(59,386)	(72.8)	
Gross Profit	195,015	33.4	144,490	22,143	27.2	

## Net revenues

In 2019 and 2020, we generated net revenues of RMB 583.9 million and RMB 532.0 million (US\$ 81.5 million), respectively.

The decrease from 2019 to 2020 was mainly due to fewer boarding and other ancillary services provided at K-12 schools, and less services provided at the tutoring centers, training offices and college campuses as a result of the outbreak of COVID-19, and was partially offset by revenue from NewSchool, which was acquired in March 2020.

We derived net revenues from our two reportable segments in terms of percentages of our overall net revenues as follows in 2019 and 2020:

	For the Years Ended December 31,	
	2019	2020
	%	%
<i>K-12 Schools:</i>	53.7	54.8
<i>CP&amp;CE Programs:</i>	46.3	45.2

*K-12 Schools* . We operated three K-12 schools as of December 31, 2020. We recognize revenues from tuition fees and associated accommodation fees collected for enrollment in our K-12 schools ratably over the corresponding semester or school year. Tuition fees and associated accommodation fees collected from students at our K-12 schools are recorded as deferred revenue until they are recognized as revenues over the semester or school year. Our K-12 schools either collect full year tuition fees once a year, or collect half year tuition fees twice per year. Collections mainly take place between August and October and in February or March. The most significant factors that directly affect our net revenues for our K-12 schools are the number of student enrollments and the tuition fees we charge. Tuition fees and associated accommodation fees range from RMB 3,500 to RMB 80,000 per year. We typically adjust tuition fees and associated accommodation fees based on the market conditions of the city where the particular school is located, subject to the relevant local governmental authority's advance approval, if required. Our K-12 schools have classes that range from 30 students to 60 students per class.

*CP&CE Programs* . Our CP&CE Programs include tutoring services and career enhancement services. Our tutoring service provided educational services in our 12 tutoring centers as of December 31, 2020. These services consist primarily of test preparation courses and tutoring. We recognize revenues from course fees collected for enrollment in the courses we offer at our tutoring centers proportionally as we deliver the instruction over the period of the course. Course fees collected are recorded as deferred revenues until they are recognized as revenues over the period when the course is taught, which typically ranges from one to nine months. The most significant factors that directly affect our net revenues in our tutoring services are the number of student enrollments in the courses and the amount of course fees. Although similar courses have comparable rates, course fees vary among our numerous courses. Tuition fees in our tutoring centers range from RMB 100 to RMB 16,000 per program. We determine course fees primarily based on demand for our courses, the targeted market for our courses, the geographic location of the tutoring center, the length of time of the course, cost of services and the course fees charged by our competitors for the same or similar programs. Our courses are delivered in class settings ranging from 4 students to 20 students per class. In addition, we also deliver these services in premium classes, including one-on-one tutoring.

Our career enhancement services are provided in our 25 career enhancement centers, which include 4 career centers, 18 training offices and 3 career enhancement college campuses. We recognize revenues over the period of the services, which typically ranges from several days to 12 months. Course fees are either collected in advance and recorded as deferred revenues or recorded as accounts receivable and collected within credit periods. The most significant factors that directly affect our revenues in our career enhancement segment are the number of enrollments in the courses and the amount of course fees. In addition to the specific factors mentioned above, enrollments at our career enhancement centers are affected by the local job markets' specific demand for skills such as soft skills, information technology services and digital art. In addition, we believe many university graduates choose to obtain job-readiness training or acquire supplementary skills to differentiate themselves from their peers in order to get a better job. Tuition fees in our career enhancement centers range from RMB 400 to RMB 20,000 per program with course lengths ranging from several days to 12 months. We determine course fees primarily based on demand for our courses, the targeted market for our courses, the geographic location of the career enhancement center, costs of services delivered, and the course fees charged by our competitors for the same or similar programs. Our career enhancement courses are generally delivered in settings ranging from 15 students to 50 students per class. The corporate trainings are all tailor-made according to customer companies' requirements, and normally are delivered to 10 to 30 persons per course.

## Cost of revenues

Cost of revenues for our educational and career enhancement programs and services primarily consists of:

- Teaching fees and performance-linked bonuses paid to our teachers. Our teachers consist of both full-time teachers and part-time teachers. Full-time teachers deliver teaching instruction and may also be involved in management, administration and other functions at our schools, tutoring centers and career enhancement centers. Their compensation and benefits primarily consist of teaching fees based on hourly rates, performance-linked bonuses based on student evaluations, as well as base salary, annual bonus and standard employee benefits in connection with their services other than teaching. Compensation of our part-time teachers is comprised primarily of teaching fees based on hourly rates and performance-linked bonuses based on student evaluations and other factors;
- Rental, utilities, water and other operating expenses for the operation of our school and center properties;
- Depreciation and amortization of properties, leasehold improvement and equipment used in the provision of educational and career enhancement services and accommodation facilities;
- Cost to purchase meals, residence, uniform and other students related services; and
- Amortization of student population intangible assets.
- *K-12 Schools* . Cost of revenues for our K-12 Schools segment primarily consists of teaching fees and performance-linked bonuses paid to our teachers and rental payments for our schools, depreciation and amortization of property, leasehold improvement and equipment used in the provision of educational services, cost to purchase meals, residence, uniform, school bus and other students related services, and to a lesser extent, costs of course materials.
- *CP&CE Programs* . Cost of revenues for our CP&CE Programs segment primarily consists of teaching fees and performance-linked bonuses paid to our teachers, rental payments for our centers, training offices and campuses, depreciation and amortization of property, leasehold improvement and equipment used in the provision of educational services, and cost to purchase meals, residence and other students related services.

## Gross profit

Gross profit as a percentage of our net revenues was 33.4% and 27.2% in 2019 and 2020, respectively. The decrease in gross profit margin from 2019 to 2020 was mainly attributable to the decrease in revenue while keeping cost deployment to weather the COVID-19 pandemic in 2020.

## Operating expenses

Our operating expenses consist of selling and marketing expenses, general and administrative expenses and research and development expenses. The following table sets forth the components of our operating expenses, both in absolute amounts and as a percentage of revenues, for the periods indicated.

	For the Years Ended December 31,					
	2019		2020			
	RMB	%	RMB	US\$	%	
	(in thousands, except percentages)					
Net revenues	583,909	100	531,980	81,529	100	
Operating expenses:						
Selling and marketing	(55,721)	(9.5)	(52,355)	(8,024)	(9.8)	
General and administrative	(194,417)	(33.3)	(174,283)	(26,710)	(32.8)	
Research and development	(3,793)	(0.6)	(5,703)	(874)	(1.1)	
Impairment loss	(38,754)	(6.6)	(36,699)	(5,624)	(6.9)	
Total operating expenses	(292,685)	(50.1)	(269,040)	(41,232)	(50.6)	

*Selling and marketing expenses.* Our selling and marketing expenses primarily consist of expenses relating to advertising, seminars, marketing and promotional trips and other community activities for brand promotion purposes. The decrease in selling and marketing expenses from 2019 to 2020 was primarily due to optimization of human resources and stringent expense controls, and partially offset by NewSchool’s expenses.

*General and administrative expenses.* Our general and administrative expenses primarily consist of compensation and benefits of administrative staff, amortization of intangibles, costs of third-party professional services, rental and utilities payments relating to office and administrative functions, and depreciation and amortization of property and equipment used in our general and administrative activities as well as bad debt provision. Our general and administrative expenses decreased from RMB 194.4 million in 2019 to RMB 174.3 million in 2020, which was mainly due to temporary suspension of operations at training offices and tutoring centers in the period as a part of the national pandemic containment efforts, as well as stringent expense controls to improve operating efficiency, and partially offset by NewSchool’s expenses.

*Research and development expenses.* Our research and development expenses primarily consist of compensation, benefits and other headcount-related costs associated with the development of our online education technology platform and courseware and outsourced development costs. The increase from 2019 to 2020 was mainly due to more expenditures on personnel.

*Impairment loss.* Our impairment loss was related to the impairment of goodwill and intangible assets. See Note 9 and Note 10 to audited consolidated financial statements for further detail.

*Share-based compensation expenses.* The following table sets forth the allocation of our share-based compensation expenses, both in absolute amount and as a percentage of total share-based compensation expenses, among our employees based on the nature of work which they were assigned to perform.

	For the Years Ended December 31,				
	2019		2020		
	RMB	%	RMB	US\$	%
	(in thousands, except percentages)				
Allocation of share-based expenses:					
General and administrative	(1,624)	100.0	(947)	(145)	100.0
Total share-based expenses	(1,624)	100.0	(947)	(145)	100.0

Our predecessor entity, Ambow Education Co., Ltd., adopted the 2010 Equity Incentive Plan in June 2010 and became effective upon completion of our 2010 IPO. On December 21, 2018, we adopted the Amended 2010 Plan, which became effective upon the approval from the Board of Directors and shareholders. See “Item 6 — Directors, Senior Management and Employees — Compensation—Equity-based compensation plans.” From 2015 to 2020, we only granted restricted share to our employees. No options were granted. We have adopted the provisions of ASC 718 “Stock Compensation” for the restricted shares we granted. For restricted shares granted to our employees, we record share-based compensation expenses based on the fair value of the award as of the date of grant and amortize the expenses over the vesting periods of the restricted shares.

### **Taxation**

We are a Cayman Islands company and we currently conduct our operations primarily through our subsidiaries in China and our VIEs and their respective subsidiaries. Under the current laws of the Cayman Islands, we and our Cayman Island subsidiaries are not subject to tax on our income or capital gains. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands.

We also have six entities incorporated in Hong Kong which were subject to Hong Kong profit. Hong Kong’s two-tier income tax system was officially implemented on April 1, 2018. Only one of our subsidiaries in Hong Kong is subject to profits tax rate of 8.25% for the first HK\$ 2.0 million of assessable profits. Profits exceeding HK\$ 2.0 million and other subsidiaries in Hong Kong are taxed at 16.5%.

Entity incorporated in Taiwan is subject to Taiwan profit tax at a rate of 17%.

As outlined in “Item 4.C — Information on the Company — Organizational Structure,” we operate a number of subsidiaries and through our VIEs, schools, tutoring centers and career enhancement centers in China. The following is a summary of the types and rates of taxation to which our China entities are subject to.

#### *VAT*

The PRC government implemented a value-added tax reform pilot program, which replaced the business tax with value-added tax. Since May 2016, the changes from business tax to VAT are expanded to all other service sectors which used to be subject to business tax. The value-added tax rates applicable to the subsidiaries and consolidated variable interest entities of the Group ranged from 3% to 6% as compared to the 3% to 5% business tax rate which was applicable prior to the reform.

As of December 31, 2019 and 2020, the payable balances for VAT were RMB 10.6 million and RMB 2.2 million, respectively.

#### *Business tax*

In PRC, business taxes used to be imposed by the government on the revenues arising from the provision of taxable services including but not limited to education in the years before 2016. The business tax rates for our subsidiaries and consolidated variable interest entities ranged from 3% to 5%. Business tax was then replaced by the VAT from 2016 and thereafter.

As of December 31, 2019 and 2020, the payable balances for business tax were RMB 18.5 million and RMB 17.5 million, respectively.

#### *Income tax*

Current income taxes are provided for in accordance with the laws and regulations set out below. Deferred income taxes are recognized when temporary differences exist between the tax bases and their reported amounts in the consolidated financial statements.

#### *Corporate entities*

The PRC Enterprise Income Tax (“EIT”) is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules, which became effective on January 1, 2008. EIT Law imposes a unified income tax rate of 25% for all resident enterprises in China, including both domestic and foreign invested enterprises.

EIT Law also imposes a withholding income tax rate of 10% on dividends distributed by a foreign invested enterprise, or FIE to its immediate holding company outside of PRC. However, a lower withholding income tax rate of 5% would be applied after the immediate holding company was registered in Hong Kong or other jurisdiction that have a tax treaty or arrangement with PRC and the FIE’s immediate holding company, and satisfies the criteria of a beneficial owner set out in Circular Guoshuihan (2009) No. 601, a circular issued by the State Administration of Taxation on October 27, 2009 on how to understand and identify a beneficial owner in tax treatments. Such withholding income tax was exempted under the previous income tax laws and rules. A joint circular issued by the Ministry of Finance and State Administration of Taxation on February 22, 2008 clarified that the withholding income tax is only to be paid for earnings generated after January 1, 2008. According to the EIT Law and a circular promulgated by the PRC State Administration of Taxation on December 10, 2009, in addition to the withholding income tax on dividends distributed by an FIE, the immediate holding company of an FIE will also be subject to an income tax at the rate of 10% for capital gain realized from transferring the equity interests in such FIE to third parties, and shall file and pay such tax within seven days after the date of the transferring agreement. Furthermore, when the de facto controlling shareholder who controls an FIE through an intermediate controlling entity, “indirectly transfers” the equity interests in such FIE by selling the intermediate controlling entity, such de facto controlling shareholder shall also file with the PRC tax authorities in some cases and may be subject to the PRC corporate income tax for the capital gain realized in such sale.

We have determined that our FIEs in China will not declare any dividends on which withholding tax should be paid and therefore no withholding tax has been accrued on the retained earnings of its FIEs in China.

#### *Private schools*

Our private schools, being privately run non-enterprise institutions, acquired in 2008 and 2009 are registered as private schools that either do or do not require a reasonable return. Prior to January 1, 2008, these private schools were subject to income tax determined in accordance with the Law for Promoting Private Education and the 2004 Implementing Rules, as well as the Notice on Tax Policy for Educational Institutions and Notice on Several Preferential Tax Policy jointly issued by the PRC Ministry of Finance and the State Administration of Taxation, collectively referred to as the 2003 Education Law. Under these laws and regulations, private schools not requiring reasonable returns were treated in a similar manner to public schools and were generally not subject to income tax. While it is indicated in the 2004 Implementing Rules that the relevant authorities under the State Council may consider formulating separate preferential tax treatment policies applicable to private schools requiring reasonable returns, no such tax preferential policy has been promulgated yet. As a result, the tax treatment applied to our schools varies among different cities.

Under the EIT Law there are specific criteria that should be met to qualify as a not-for-profit entity that is exempt from corporate income tax, and the preferential corporate income tax policy for education institutions under the 2003 Education Law has been superseded. No detailed implementation guidance has been provided to local tax authorities on how to apply these changes to schools. Some of the schools we have acquired have been able to obtain preferential tax treatment from the local tax authorities or to agree with local tax authorities on a fixed amount of income tax payable for prior years. Where such preferential tax treatment or fixed amount payable has not been confirmed by the tax authorities, we have made a full provision for income taxes payable based on our understanding of the 2003 Education Law and the EIT Law. No provision has been made for interest or late payment fees for such provision.

For our schools that we have acquired in 2008 and 2009, we have recorded a tax liability for estimated liabilities brought forward at the date of acquisition. At the same time, we have recorded an asset to recognize that all of the sellers of these schools have agreed to indemnify us against any taxes that may be payable for periods prior to the date of acquisition.

The determination of our provision for income taxes, particularly for private schools, is subject to uncertainty. The strict application of the EIT Law indicates that certain of our private schools are subject to income tax of 25% after January 1, 2008. For those private schools where the tax authorities have not determined a deemed fixed amount or deemed fixed rate for the purposes of calculating income tax payable, we have assumed that income tax of 25% is payable. However, as of December 31, 2020, no detailed implementation guidance has been provided to local tax authorities on how to apply the EIT Law to private schools. It is possible that, upon the introduction of the detailed implementation guidance, we may find ourselves in a position whereby income tax is not payable for periods prior to the release of the detailed guidance.

The amount of income tax payable by our PRC subsidiaries, VIEs and schools in the future will depend on various factors, including, among other things, the results of operations and taxable income of, and the statutory tax rate applicable to, such PRC subsidiaries, and our effective tax rate depends partially on the extent of each of our subsidiaries' relative contribution to our consolidated taxable income. If further detailed guidance is issued by the State Administration of Taxation on how to apply the EIT Law to schools, this may also have an impact on the amount of income tax payable by our own schools.

### **Critical accounting policies and estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results. For other relevant risks under "Risk in relation to the VIE structure", see Note 1 (d) of Notes to consolidated financial statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company, its Wholly Owned Foreign Enterprise ("WOFEs") and its VIEs. We have adopted the guidance of accounting for VIEs, which requires VIEs to be consolidated by the primary beneficiary of the entity. The company and its WOFEs have entered into contractual arrangements with the VIEs and their shareholders, which enable the company to (1) have power to direct activities that most significantly affect the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the company is considered the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities in the company's consolidated financial statements. All inter-company transactions and balances have been eliminated upon consolidation.

The entities apart from the consolidated VIEs mainly include Ambow Education Holding Ltd., Ambow Shengying, Ambow Chuangying, BoheLe, Ambow Education Inc., Ambow BSC Inc., Bay State College, Ambow NSAD Inc., NewSchool, three holding companies registered in Cayman and six holding companies registered in Hong Kong. Assets and liabilities of these entities mainly include cash, current accounts balances of inter-group financing and transactions and leasehold improvement. Except for Bay State College and NewSchool, operations of these entities are mainly inter-group financing and business management.

The company deconsolidates a subsidiary or derecognizes a group of assets as of the date the company ceases to have a controlling financial interest in that subsidiary or group of assets.

The separated VIE and Non-VIE financial information during the year of 2019 was as follows (in RMB thousands):

	<b>VIEs Consolidated</b>	<b>Non-VIEs Consolidated</b>	<b>Inter-company Elimination</b>	<b>Group Consolidated</b>
Cash and cash equivalents	94,967	62,633	-	157,600
Inter-Group balances due from VIEs/Non VIEs	1,881,047	2,697,862	(4,578,909)	-
Other current assets	213,126	28,914	-	242,040
Non-current assets	376,291	244,868	-	621,159
<b>Total Assets</b>	<b>2,565,431</b>	<b>3,034,277</b>	<b>(4,578,909)</b>	<b>1,020,799</b>
Inter-Group balances due to VIEs/Non VIEs	2,879,536	1,720,967	(4,600,503)	-
Other current liabilities	527,330	81,654	-	608,984
Non-current liabilities	120,445	127,774	-	248,219
<b>Total Liabilities</b>	<b>3,527,311</b>	<b>1,930,395</b>	<b>(4,600,503)</b>	<b>857,203</b>
Equity	(961,880)	1,103,882	21,594	163,596
Net Revenue	503,221	80,688	-	583,909
Net Loss	(45,739)	(54,687)	-	(100,426)

The separated VIE and Non-VIE financial information during the year of 2020 was as follows (in RMB thousands):

	<b>VIEs Consolidated</b>	<b>Non-VIEs Consolidated</b>	<b>Inter-company Elimination</b>	<b>Group Consolidated</b>
Cash and cash equivalents	67,269	51,552	-	118,821
Inter-Group balances due from VIEs/Non VIEs	1,759,421	2,680,978	(4,440,399)	-
Other current assets	274,440	30,868	-	305,308
Non-current assets	311,948	313,640	-	625,588
<b>Total Assets</b>	<b>2,413,078</b>	<b>3,077,038</b>	<b>(4,440,399)</b>	<b>1,049,717</b>
Inter-Group balances due to VIEs/Non VIEs	2,671,922	1,792,790	(4,464,712)	-
Other current liabilities	555,698	87,897	-	643,595
Non-current liabilities	109,676	155,292	-	264,968
<b>Total Liabilities</b>	<b>3,337,296</b>	<b>2,035,979</b>	<b>(4,464,712)</b>	<b>908,563</b>
Equity	(924,218)	1,041,059	24,313	141,154
Net Revenue	411,805	120,175	-	531,980
Net Loss	(44,603)	(19,378)	-	(63,981)

#### *Revenue recognition*

We have adopted ASC 606 Revenue from Contracts with Customers using the modified retrospective transition method from January 1, 2018. Our revenue is generated from delivering educational programs and services and intellectualized operational services.

The core principle of ASC 606 is that an entity recognizes revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principal, the Group applies the following steps:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;



Step 4: Allocate the transaction price to the performance obligations in the contract;

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

We have two reportable segments: 1) K-12 Schools, 2) CP&CE Programs. K-12 schools provide K-12 full curriculums educational services to pre-school children, primary and secondary students in China. CP&CE Programs offer tutoring services to pre-school children, primary and secondary students, provide vocational education services to undergraduate students in partner colleges, provide boarding and accommodation services to partner colleges or corporate customers, provide short term outward bound and in-house training services to corporate clients, and provide intellectualized operational services to corporate clients, colleges and universities. Bay State College and NewSchool in U.S. under CP&CE Programs offers career-focused post-secondary educational services to undergraduate students in U.S.

For individual customers including pre-school children, primary and secondary students and undergraduate students, usually there are no written formal contracts between us and the students according to business practice. Records with student's name, grades, tuition and fee collected are signed or confirmed by students. Academic requirements and each party's rights are communicated with students through enrollment brochures or daily teaching and academic activities. For colleges and corporate clients, there are written formal contracts with these customers which recorded service fee, service period, each party's rights and obligations and payment terms.

For individual customers including pre-school children, primary and secondary students and undergraduate students, our performance obligations are to provide acknowledged academic education from kindergarten till grade twelve to school-aged students within academic years, extracurricular tutoring services and post-secondary education with Associates and Bachelor's programs within agreed-upon periods respectively. For college and corporate customers, our performance obligations are to provide customized vocational educational services to college students within academic years; or to provide boarding and accommodation services to customers for agreed-upon periods; or to provide short term outward bound and in-house training services to corporate clients within agreed-upon periods; or to provide intellectualized operational services and warranty of agreed period of time.

For individual customers including pre-school children, primary and secondary students and undergraduate students, transaction price of each customer is the tuition and fee received normally up front. For college and corporate customers, transaction price of each customer is the service fee defined in the contract, net of value added tax, and would be received either up front or within payment terms depending on each contract. Circumstances like other variable consideration, significant financing component, noncash consideration, consideration payable to a customer did not exist.

For individual, college and corporate customers, we identify one performance obligation. The transaction prices are allocated to the one performance obligation. For intellectualized operational services to corporate customers, we identify two distinct performance obligations, which is to provide intellectualized operational services and warranty, since customers obtain different benefits from the two services separately and these two services are usually quoted to customers with stand-alone prices, which are determined by cost of services plus certain amount of profit. The transaction price from the contract is allocated according to stand-alone selling prices of each obligation.

For individual customers including pre-school children, primary and secondary students and undergraduate students, we satisfy performance obligations to students over time, and recognizes revenue according to tutoring hours or school days consumed in each month of a semester. For vocational education services, outbound and in-house training services, and boarding and accommodation services to college and corporate customers, we satisfy performance obligations to customers over time, and recognizes revenue according to the number of months within the academic year, or training days consumed in each month, or boarding service days within each month. For intellectualized operational service to corporate clients, we satisfy performance obligations to customers over time, use the cost-based input method to depict its performance in transferring control of services promised to the clients. Such input measure is determined by the proportional relation of the contract costs incurred to date relative to the estimated total contract costs at completion. For performance obligation of warranty, the change of control would be transferred to the customer over time. Accordingly, we recognize revenue using a straight line method within the whole warranty period.

### *Intangible assets, net*

Intangible assets represent brand, software, trade name, student population, corporative agreement, customer relationship, license, trademark, workforce, non-compete agreement and accreditation. The software was initially recorded at historic acquisition costs or cost directly incurred to develop the software during the application development stage that can provide future benefits, and amortized on a straight-line basis over estimated useful lives.

Other finite lived intangible assets are initially recorded at fair value when acquired in a business combination, in which the finite intangible assets are amortized on a straight-line basis except student populations and customer relationships, which are amortized using an accelerated method to reflect the expected departure rate over the remaining useful life of the asset. We review identifiable amortizable intangible assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value. The intangible assets have original estimated useful lives as follows (see Note 9-Intangible Assets, Net to the audited consolidated financial statements for additional information):

Software	2 years to 10 years
Student populations	1.8 years to 15 years
Trade names	Indefinite
Brand	Indefinite
Others	1.3 years to 10 years

We have determined that trade names and brand have the continued ability to generate cash flows indefinitely. There are no legal, regulatory, contractual, economic or other factors limiting the useful life of the respective trade names and brand. Consequently, the carrying amounts of trade names and brand are not amortized but are tested for impairment annually in the third quarter or more frequently if events or circumstances indicate that the assets may be impaired. Such impairment test consists of a comparison of the fair values of the trade names and brand with their carrying amounts and an impairment loss is recognized if and when the carrying amounts of the trade names and brand exceed their fair values.

We performed impairment testing of indefinite-lived intangible assets in accordance with ASC 350, which requires an entity to evaluate events and circumstances that may affect the significant inputs used to determine the fair value of the indefinite-lived intangible assets when performing qualitative assessment. When these events occur, we estimate the fair value of these trade names and brand with the Relief from Royalty method (“RFR”), which is one of the income approaches. RFR method is generally applied for assets that frequently licensed in exchange for royalty payments. As the owner of the asset is relieved from paying such royalties to a third party for using the asset, economic benefit is reflected by notional royalty savings. An impairment loss is recognized for any excess in the carrying value over the fair value of trade names and brand.

### *Goodwill*

Goodwill represents the future economic benefits arising from other assets acquired in a business combination or an acquisition by a not-for-profit entity that are not individually identified and separately recognized. Goodwill acquired in a business combination is tested for impairment at least annually or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. We performed impairment analysis on goodwill as of September 30 every year either beginning with a qualitative assessment, or starting with the quantitative assessment instead. The quantitative goodwill impairment test compares the fair values of each reporting unit to its carrying amount, including goodwill. A reporting unit constitutes a business for which discrete profit and loss financial information is available. The fair value of each reporting unit is established using a combination of expected present value of future cash flows. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Determining when to test for impairment, our reporting units, the fair value of a reporting unit and the fair value of assets and liabilities within a reporting unit, requires judgment and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

Significant changes in the economic characteristics of components or reorganization of an entity's reporting structure can sometimes result in a re-assessment of the affected operating segment and its components to determine whether reporting units need to be redefined where the components are no longer economically similar.

Future changes in the judgments and estimates underlying our analysis of goodwill for possible impairment, including expected future cash flows and discount rate, could result in a significantly different estimate of the fair value of the reporting units and could result in additional impairment of goodwill.

#### *Impairment of long-lived assets*

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we measure impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we will recognize an impairment loss based on the fair value of the assets, using the expected future discounted cash flows.

#### *Income taxes*

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax assets will not be realized. Income taxes are provided for in accordance with the laws of the relevant taxing authorities.

We do not record PRC withholding tax expense for foreign earnings which we plan to reinvest to expand our PRC operations. We considered business plans, planning opportunities and expected future outcomes in assessing the needs for future expansion and support of our operations. If our business plans change or our future outcomes differ from our expectations, PRC withholding tax expense and our effective tax rate could increase or decrease in that period.

We adopted the guidance on accounting for uncertainty in income taxes, which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on the de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating our uncertain tax positions and determining its provision for income taxes. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite its belief that its tax return positions are in accordance with applicable tax laws. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate. See Note 17 (c) to audited consolidated financial statements for additional information.

#### *Lease*

We adopted ASC 842 Leases as of January 1, 2019, using the non-comparative transition option pursuant to ASU 2018-11. Therefore, we have not restated comparative period financial information for the effects of ASC 842, and will not make the new required lease disclosures for comparative periods beginning before January 1, 2019. We elected the package of practical expedients permitted under the transition guidance within the new standard, which among others things (i) allowed us to carry forward the historical lease classification; (ii) did not require us to reassess whether any expired or existing contracts are or contain leases; (iii) did not require us to reassess initial direct costs for any existing leases.

We identify lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. For all operating leases except for short-term leases, we recognize operating right-of-use assets and operating lease liabilities. Leases with an initial term of 12 months or less are short-term lease and not recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. The Group recognizes lease expense for short-term leases on a straight-line basis over the lease term. For finance lease, we recognize finance lease right-of-use assets. The operating lease liabilities are recognized based on the present value of the lease payments not yet paid, discounted using our incremental borrowing rate over a similar term of the lease payments at lease commencement. Some of the Group's lease agreements contain renewal options; however, the Group do not recognize right-of-use assets or lease liabilities for renewal periods unless it is determined that the Group is reasonably certain of renewing the lease at inception or when a triggering event occurs. The right-of-use assets consist of the amount of the measurement of the lease liabilities and any prepaid lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### Operating lease

When none of the criteria of finance lease are met, a lessee shall classify the lease as an operating lease.

#### Finance lease

We classify a lease as a finance lease when the lease meets any of the following criteria at lease commencement:

- a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise;
- c. The lease term is for the major part of the remaining economic life of the underlying asset;
- d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with ASC 842 paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset;
- e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

#### *Share-based compensation*

We grant restricted shares to our employees and directors. Cost of employee services received is measured at the grant-date using the fair value of the equity instrument issued net of an estimated forfeiture rate, and therefore only recognizes compensation costs for those shares expected to vest over the service period of the award. Share-based compensation expense is recorded on a straight-line basis over the requisite service period, generally ranging from one year to four years.

Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

#### *Foreign currency translation and transactions*

We use RMB as our reporting currency. The functional currency of our company and the subsidiaries incorporated in the Cayman Islands, United States, Hong Kong and the British Virgin Islands is US\$, the functional currency of our VIE incorporated in Taiwan is TWD, while the functional currency of the other entities of our company is RMB. An entity's functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which it primarily generates and expends cash. We considered various indicators, such as cash flows, sales price, market expenses, financing and inter-company transactions and arrangements in determining an entity's functional currency.

In the consolidated financial statements, the financial information of our company and its subsidiaries, which use US\$ and TWD as their functional currencies, has been translated into RMB. Assets and liabilities are translated from each subsidiary's functional currency at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income or loss in the statement of shareholders' equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from re-measurement at year-end are recognized in foreign currency exchange gain/loss, net on the consolidated statement of operations.

#### **Results of operations**

The following table sets forth a summary of our consolidated statements of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. We believe that period-to-period comparisons of results of operations should not be relied upon as indicative of future performance.

## Summary of Consolidated Statements of Operations

	For the Years Ended December 31,		
	2019	2020	2020
	RMB	RMB	US\$
	(in thousands)		
<b>Consolidated Statement of Operations Data:</b>			
<b>NET REVENUES:</b>			
- Educational programs and services	582,706	525,727	80,571
- Intellectualized operational services	1,203	6,253	958
Total net revenues	583,909	531,980	81,529
<b>COST OF REVENUES:</b>			
- Educational programs and services <sup>(1)</sup>	(383,635)	(379,571)	(58,172)
- Intellectualized operational services	(5,259)	(7,919)	(1,214)
Total cost of revenues	(388,894)	(387,490)	(59,386)
<b>GROSS PROFIT</b>	195,015	144,490	22,143
<b>Operating expenses:</b>			
Selling and marketing <sup>(1)</sup>	(55,721)	(52,355)	(8,024)
General and administrative <sup>(1)</sup>	(194,417)	(174,283)	(26,710)
Research and development <sup>(1)</sup>	(3,793)	(5,703)	(874)
Impairment loss	(38,754)	(36,699)	(5,624)
Total operating expenses	(292,685)	(269,040)	(41,232)
<b>OPERATING LOSS</b>	(97,670)	(124,550)	(19,089)
<b>OTHER INCOME</b>	10,161	61,631	9,445
<b>Loss before income tax and non-controlling interest</b>	(87,509)	(62,919)	(9,644)
Income tax expense	(12,917)	(1,062)	(163)
<b>NET LOSS</b>	(100,426)	(63,981)	(9,807)
Less: Net loss contributable to non-controlling interest	(485)	(1,269)	(194)
<b>NET LOSS ATTRIBUTABLE TO AMBOW EDUCATION HOLDING LTD.</b>	(99,941)	(62,712)	(9,613)
<b>NET LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>	(99,941)	(62,712)	(9,613)

(1) Includes depreciation and amortization of RMB 26.8 million and RMB 31.6 million (US\$ 4.8 million) for the years ended December 31, 2019 and 2020, respectively.

### Year ended December 31, 2020 compared with year ended December 31, 2019

**Net revenues.** Our net revenues decreased by 8.9% from RMB 583.9 million in 2019 to RMB 532.0 (US\$ 81.5 million) in 2020. The decrease was mainly due to fewer boarding and other ancillary services provided at K-12 schools, and less services provided at the tutoring centers, training offices and college campuses as a result of the outbreak of COVID-19, and was partially offset by revenue from NewSchool, which was acquired in March 2020.

**Cost of revenues.** Our cost of revenues decreased by 0.4% from RMB 388.9 million in 2019 to RMB 387.5 million (US\$ 59.4 million) in 2020. The decrease mainly came from less cost caused by the temporary suspension of operations at training offices and tutoring centers as a part of the national pandemic containment efforts, as well as stringent expense controls to improve operating efficiency, and partially offset with cost of NewSchool which was acquired during the year.

**Gross profit.** Gross profit as a percentage of our net revenues decreased from 33.4% in 2019 to 27.2% in 2020. The decreases in gross profit was mainly attributable to the decrease in revenue while keeping cost deployment to weather the COVID-19 pandemic in 2020.

**Operating expenses.** Our total operating expenses decreased by 8.1% from RMB 292.7 million in 2019 to RMB 269.0 million (US\$ 41.2 million) in 2020. This decrease was mainly due to lower expenditures due to the temporary suspension of operations at training offices and tutoring centers as a part of the national pandemic containment efforts, as well as stringent expense controls to improve operating efficiency, and partially offset by operating expenses related to NewSchool.

- **Selling and marketing expenses.** Our selling and marketing expenses decreased by 6.0% from RMB 55.7 million in 2019 to RMB 52.4 million (US\$ 8.0 million) in 2020. The decrease was mainly from optimization of human resources and stringent expense controls.

- *General and administrative expenses.* Our general and administrative expenses decreased by 10.4% from RMB 194.4 million in 2019 to RMB 174.3 million (US\$ 26.7 million) in 2020. The decrease in 2020 was mainly due to lower expenditures due to the temporary suspension of operations at training offices and tutoring centers as a part of the national pandemic containment efforts, as well as stringent expense controls to improve operating efficiency.
- *Research and development expenses.* Our research and development expenses increased by 50.4% from RMB 3.8 million in 2019 to RMB 5.7 million (US\$ 0.9 million) in 2020. It was mainly due to more expenditures on personnel.

*Other income, net.* We recorded net other income of RMB 61.6 million (US\$ 9.4 million) in 2020, compared to net other income of RMB 10.2 million in 2019. The increase was mainly due to RMB 40.3 million gain on the bargain purchase from acquisition of NewSchool.

*Income tax expense.* Our income tax expense changed from RMB 12.9 million expense in 2019 to RMB 1.1 million (US\$ 0.2 million) expense in 2020.

*Net loss.* According to above mentioned factors, our net loss changed from RMB 100.4 million in 2019 to RMB 64.0 million (US\$ 9.8 million) in 2020.

## Discussion of segment operations

We offer a wide range of educational and career enhancement services and products focusing on improving educational opportunities for primary and advanced degree school students and employment opportunities for university graduates.

Our chief operating decision maker (“CODM”) has been identified as our CEO who reviews the financial information of separate operating segments when making decisions about allocating resources and assessing our performance. We have two reportable segments: 1) K-12 schools, 2) CP&CE Programs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The following table lists our net revenues, cost of revenues, gross profit and gross margin by our reportable segments for the periods indicated:

	<b>For the Years Ended December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<b>(in thousands)</b>		
<b>Consolidated Statement of Operations Data:</b>			
<b>Net revenues:</b>			
K-12 Schools	313,747	291,539	44,680
CP&CE Programs	270,162	240,441	36,849
<b>Total net revenues of reportable segments and the company</b>	<b>583,909</b>	<b>531,980</b>	<b>81,529</b>
<b>Cost of revenues:</b>			
K-12 Schools	(197,064)	(188,628)	(28,909)
CP&CE Programs	(191,830)	(198,862)	(30,477)
<b>Total costs of revenues of reportable segments and the company</b>	<b>(388,894)</b>	<b>(387,490)</b>	<b>(59,386)</b>
<b>Gross profit</b>			
K-12 Schools	116,683	102,911	15,771
CP&CE Programs	78,332	41,579	6,372
<b>Total gross profit of reportable segments and the company</b>	<b>195,015</b>	<b>144,490</b>	<b>22,143</b>
<b>Gross margin</b>			
K-12 Schools	37.2%	35.3%	35.3%
CP&CE Programs	29.0%	17.3%	17.3%
<b>Total gross margin of reportable segments and the company</b>	<b>33.4%</b>	<b>27.2%</b>	<b>27.2%</b>

### **Year ended December 31, 2020 compared with year ended December 31, 2019**

#### *K-12 Schools*

Net revenues from our K-12 Schools segment decreased from RMB 313.7 million in 2019 to RMB 291.5 million (US\$ 44.7 million) in 2020. The decrease was primarily due to fewer boarding and other ancillary services provided for K-12 schools as result of temporary COVID-19 related campus closures in the first half of 2020.

Cost of revenues from our K-12 Schools segment decreased from RMB 197.1 million in 2019 to RMB 188.6 million (US\$ 28.9 million) in 2020. The decrease was primarily due to lower teaching and supporting cost as result of temporary COVID-19 related campus closures in the first half of 2020.

Gross profit as a percentage of our net revenues from our K-12 Schools segment was 37.2% in 2019 and 35.3% in 2020. The change in the gross profit margin was insignificant.

#### *CP&CE Programs*

Net revenues from our CP&CE Programs segment decreased from RMB 270.2 million in 2019 to RMB 240.4 million (US\$ 36.8 million) in 2020. The decrease was mainly from fewer services provided at the Company’s tutoring centers, training offices and college campuses due to the outbreak of COVID-19. This was partially offset by the revenue from NewSchool, which was acquired in March 2020.

Cost of revenues in our CP&CE Programs segment increased from RMB 191.8 million in 2019 to RMB 198.9 million (US\$ 30.5 million) in 2020. The increase was mainly from NewSchool, and netted off by certain decrease of cost due to the temporary suspension of operations at training offices and tutoring centers in the year as a part of the national pandemic containment efforts, as well as stringent expense controls to improve operating efficiency.

Gross profit as a percentage of our net revenues from our CP&CE Programs segment was 29.0% in 2019 and 17.3% in 2020. The decrease in gross margin was mainly due to the decrease of net revenues while keeping cost deployment to weather the COVID-19 pandemic in 2020.

## **B. Liquidity and Capital Resources**

As of December 31, 2020, our consolidated current liabilities exceeded our consolidated current assets by RMB 219.5 million. With certain non-cash payment adjustments excluded from the current liabilities, the gap between the current liabilities and current assets has been significantly reduced. Our consolidated net assets were amounting to RMB 141.2 million as of December 31, 2020. There are no liquidity concerns noted in the next 12 months.

Our principal sources of liquidity have been cash provided by operating activities. We have net cash provided by operating activities of RMB 4.8 million and net cash used in operating activities of RMB 10.2 million for the years of 2020 and 2019, respectively. The cash inflow in 2020 was mainly attributable to the tuition and fees collected at K-12 schools for the fall semester of the 2020-2021 academic year, and less cash expenditures in operating activities to mitigate the impact of COVID-19. As of December 31, 2020, we had RMB 118.8 million in unrestricted cash and cash equivalents, RMB 117.9 million in short term investments, available for sale, and RMB 45.0 million in short term investments, held to maturity.

Our operating results for future periods are subject to numerous uncertainties and it is uncertain if we will be able to achieve a net income position for the foreseeable future. If management is not able to increase revenue and/or manage cost and operating expenses in line with revenue forecasts, we may not be able to achieve profitability.

From the beginning of 2020, in response to the global spread of COVID-19, businesses and schools in China have been suspended since the end of January 2020 as part of quarantine measures to contain the pandemic. Our K-12 schools, tutoring centers and training offices in China have been closed since then. As China eradicated the pandemic within months, our K-12 schools have gradually returned to operation from May 2020, and all of our tutoring centers and training offices went into full business operation from August 2020. Bay State College and NewSchool in U.S. have moved all courses online, including certain classes in a hybrid model (online and on campus together), in response to social distancing needs and precautionary measures. Yet the pandemic continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on our future operations. The pandemic may adversely affect our liquidity resources, including but not limited to delayed collection of tuition and fees.

We believe that available cash and cash equivalents, short term investments, available for sale and short term investments, held to maturity, cash provided by operating activities, together with cash available from the activities mentioned above, should enable us to meet presently anticipated cash needs for at least the next 12 months after the date that the financial statements are issued and we have prepared the consolidated financial statements on a going concern basis. However, we continue to have ongoing obligations and we expect that we will require additional capital in order to execute its longer-term business plan. If we encounter unforeseen circumstances that place constraints on its capital resources, management will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, initiating additional public offerings, curtailing our business development activities, suspending the pursuit of its business plan, obtaining credit facilities, controlling overhead expenses and seeking to further dispose of non-core assets. Management cannot provide any assurance that we will raise additional capital if needed.



## Condensed summary of our cash flows

	For the Years Ended December 31,		
	2019	2020	2020
	RMB	RMB	US\$
	(in thousands)		
Net cash (used in)/provided by operating activities	(10,210)	4,812	738
Net cash used in investing activities	(33,153)	(98,513)	(15,097)
Net cash (used in)/provided by financing activities	(40,620)	55,172	8,456
Effects of exchange rate changes on cash, cash equivalents and restricted cash	75	574	88
Net change in cash, cash equivalents and restricted cash	(83,908)	(37,955)	(5,815)
Cash, cash equivalents and restricted cash at beginning of year	241,508	157,600	24,151
Cash, cash equivalents and restricted cash at end of year	157,600	119,645	18,336

### Operating activities

Net cash provided by operating activities amounted to RMB 4.8 million (US\$ 0.7 million) in the year ended December 31, 2020, as compared to net cash used in operating activities of RMB 10.2 million in the year ended December 31.

Net cash provided by operating activities in the year ended December 31, 2020 was primarily attributable to depreciation and amortization of RMB 31.6 million (US\$ 4.8 million), share-based compensation expense of RMB 0.9 million (US\$ 0.1 million), an increase in bad debt provision of RMB 8.9 million (US\$ 1.4 million), an increase in impairment loss of RMB 36.7 million (US\$ 5.6 million), an increase in income tax payable of RMB 2.2 million (US\$ 0.3 million), an increase in accrued and other liabilities of RMB 19.8 million (US\$3.0 million), a decrease in prepaid and other current assets of RMB 12.5 million (US\$ 1.9 million), amortization of operating lease right of use-asset of RMB 36.7 million (US\$ 5.6 million) and an increase in accounts payable of RMB 4.9 million (US\$0.7 million), partially offset by net loss of RMB 64.0 million (US\$ 9.8 million), a decrease in deferred income tax of RMB 4.9 million (US\$ 0.7 million), a gain from deregistration of subsidiaries of RMB 4.0 million (US\$ 0.6 million), a gain from derecognition of liabilities of RMB 3.9 million (US\$ 0.6 million), a gain from bargain purchase of RMB 40.3 million (US\$ 6.2 million), an increase in accounts receivable of RMB 3.9 million (US\$ 0.6 million), a decrease in deferred revenue of RMB 5.4 million (US\$0.8 million) and a decrease in operating lease liability of RMB 21.9 million (US\$ 3.4 million).

Net cash provided by operating activities in the year ended December 31, 2019 was primarily attributable to net loss of RMB 100.4 million, an increase in other non-current assets of RMB 13.5 million, a decrease in accrued and other liabilities of RMB 38.3 million, a gain from deregistration of subsidiaries of RMB 1.8 million, a gain from fair value change of contingent consideration payable of RMB 1.3 million, an increase in accounts receivable of RMB 3.0 million, partially offset by depreciation and amortization of RMB 26.8 million share-based compensation expense of RMB 1.6 million, an increase in bad debt provision of RMB 6.0 million, an increase in impairment loss of RMB 38.8 million, an increase in deferred income tax of RMB 6.7 million, an increase in income tax payable of RMB 5.8 million, an increase in deferred revenue of RMB 13.1 million, a decrease in prepaid and other current assets of RMB 6.7 million, amortization of operating lease right of use-asset of RMB 30.6 million and an increase in operating lease liability of RMB 12.4 million.

### Investing activities

Net cash used in investing activities amounted to RMB 98.5 million (US\$ 15.1 million) in the year ended December 31, 2020 as compared to RMB 33.2 million net cash outflow in the year ended December 31.

Net cash used in investing activities in the year ended December 31, 2020 was mainly attributable to purchase of available-for-sale investments of RMB 345.0 million (US\$ 52.9 million), purchase of held-to-maturity investments of RMB 130.0 million (US\$ 19.9 million), loan to third party of RMB 33.6 million (US\$ 5.1 million), purchase of other non-current assets of RMB 16.7 million (US\$ 2.6 million), purchase of property and equipment of RMB 2.9 million (US\$ 0.4 million), and prepayment for leasehold improvement of RMB 7.9 million (US\$ 1.2 million), partially offset by proceed from available-for-sale investments of RMB 284.0 million (US\$ 43.5 million), net cash resulted from a bargain purchase of subsidiary of RMB 37.6 million (US\$5.8 million) and proceed from held-to-maturity investments of RMB 116.0 million (US\$ 17.8 million).

Net cash used in investing activities in the year ended December 31, 2019 was mainly attributable to purchase of available-for-sale investments of RMB 219.0 million, purchase of held-to-maturity investments of RMB 387.0 million, payment as result of disposal of subsidiaries RMB 25.5 million, loan to third party of RMB 25.0 million, purchase of other non-current assets of RMB 54.1 million, purchase of property and equipment of RMB 8.7 million, and prepayment for leasehold improvement of RMB 8.1 million, partially offset by proceed from available-for-sale investments of RMB 210.0 million, proceeds from collection of loan receivables of RMB 58.7 million and proceed from held-to-maturity investments of RMB 426.0 million.

## Financing activities

Our financing activities consist primarily of issuance of ordinary shares and minority shareholder capital injection. Net cash provided by financing activities amounted to RMB 55.2 million (US\$ 8.5 million) in the year ended December 31, 2020, as compared to net cash used amounted to RMB 40.6 million in the year ended December 31, 2019.

Net cash provided by financing activities in the year ended December 31, 2020 was attributable to proceeds from issuance of ordinary shares, net of expenses, amounted to RMB 35.6 million (US\$ 5.5 million), the proceeds from short-term borrowings amounted to RMB 10.0 million (US\$ 1.5 million) and the proceeds from long-term borrowings amounted to RMB 9.6 million (US\$ 1.5 million).

Net cash used in financing activities in the year ended December 31, 2019 was attributable to repayments of borrowing from third party amounted to RMB 41.2 million and proceeds from minority shareholder capital injection amounted to RMB 0.6 million.

## Short-term and Long-term borrowings

Loan agreements for short-term and long-term borrowings consisted of the following:

	Maturities	As of December 31	
		2019	2020
		RMB	RMB
		(In thousands)	
Short-term bank borrowing from Huaxia Bank	September 2021	-	10,000
Long-term bank borrowing from Small Business Administration (“SBA”)	May 2022	-	9,594

In July 2020, we mortgaged our office property in Beijing, China with the carry amount of RMB 65.1 million to obtain a line of credit in RMB 30.0 million from Bank of Huaxia with one-year term from July 1, 2020 to July 1, 2021. The mortgage shall be terminated once all borrowings were repaid and mortgage cancellation registration procedures were completed. On September 1, 2020, we received a loan from Huaxia Bank in the amount of RMB 10.0 million with maturity date on September 1, 2021 and bearing interest at 4.35% per annum for working capital purpose.

On May 1, 2020, Bay State College obtained a PPP loan under the CARES Act from the SBA through Bank of America in US\$1.5 million with maturity date on May 2, 2022. Bay State College accrued interest expense of the loan using a fixed rate of 1%. Bay State College is applying for the forgiveness of the PPP loan as of the date of this report.

The weighted average interest rate of the borrowings outstanding was nil and 2.7% per annum as of December 31, 2019 and 2020. The fair values of the borrowings approximate their carrying amounts. The weighted average borrowings for the years ended December 31, 2019 and 2020 was RMB 10.6 million and RMB 9.8 million, respectively.

The borrowings incurred interest expenses were nil and RMB 0.2 million for the years ended December 31, 2019 and 2020. There was neither capitalization as additions to construction in progress nor guarantee fees for each of three years ended December 31, 2020.

## Capital expenditures

Our capital expenditures were RMB 8.7 million and RMB 2.9 million (US\$ 0.4 million) in the fiscal years ended December 31, 2019 and 2020, respectively. These capital expenditures were incurred primarily for investments in property, facilities, equipment and technology.

## Holding company structure

We conduct our operations primarily through our wholly-owned subsidiary in China, Ambow Shengying, Ambow Chuangying, IValley Beijing, BoheLe and their affiliated PRC entities, which we collectively refer to as our VIEs and their respective subsidiaries.

As a result, our ability to pay dividends and to finance any debt we may incur depends primarily upon dividends paid by Ambow Shengying, Ambow Chuangying, BoheLe, Ambow Education Management and fees paid by Ambow Sihua, Ambow Shanghai, Ambow Shida, Ambow Rongye, IValley and Ambow Zhixin and their subsidiaries to Ambow Shengying, Ambow Chuangying, BoheLe and Ambow Education Management for sales of services and products. Fees paid by VIEs and subsidiaries are mainly for sales of services. The aggregate amount that VIEs and subsidiaries had paid to Ambow Shengying, Ambow Chuangying, BoheLe and Ambow Education Management were insignificant for the reporting period, and the aggregate amount of fees payable from the VIE and subsidiaries to Ambow Shengying, Ambow Chuangying, BoheLe and Ambow Education Management were insignificant for the reporting period.

If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries incorporated as companies may only distribute dividends after they have made allowances to fund certain statutory reserves. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation of the companies.

Ambow Sihua, Ambow Shanghai, Ambow Shida, Ambow Rongye and Ambow Zhixin own and/or operate private schools, tutoring, career enhancement centers and training offices in China. At the end of each fiscal year, every private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of four of our private schools that do not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school (as determined under the generally accepted accounting principles of the PRC), if any. Pursuant to an amendment to The Law for Promoting Private Education on November 7, 2016, which went into effect on September 1, 2017, sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC company law and other relevant laws and regulations. See “Item 3.D —Key Information—Risk Factors—Risks related to regulation of our business and our corporate structure—Our VIEs and their respective subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.”

## **Inflation**

Inflation in China has not materially impacted our results of operations in recent years. Although we were not materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

## **Recent accounting standards**

See of Notes 3(ee) to the audited consolidated financial statements for recent accounting standards that could have an effect on us.

### **C. Research and Development, Patents and Licenses**

We have an in-house research and development team with 56 full-time software and educational professionals as of December 31, 2020 to design and develop our educational and intellectualized operational programs and services. We integrate the best content from our acquired schools, tutoring centers and career enhancement centers into our qualified content database and then introduce it to our nationwide student user base. In 2019 and 2020, we spent RMB 3.8 million and RMB 5.7 million (US\$ 0.9 million), respectively, on research and development expenses.

### **D. Trend Information**

For a discussion of significant recent trends in our financial condition and results of operations, please see “Item 5.A Operating and Financial Review and Prospects—Operating Results” and “5.B Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

### **E. Off-balance sheet arrangements**

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

There were no new off-balance sheet arrangements as of December 31, 2019 and 2020.

### **F. Contractual Obligations**

The following table presents a summary of our contractual obligations and payments, by period, as of December 31, 2020.

	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>More than</b>
	<b>RMB</b>	<b>1 Year</b>	<b>RMB</b>	<b>RMB</b>	<b>5 Years</b>
		<b>RMB</b>	<b>(in millions)</b>		<b>RMB</b>
Operating lease obligations	333.9	55.9	92.0	85.0	101.0

**Item 6. Directors, Senior Management and Employees****A. Directors and Senior Management**

The table below sets forth the certain information relating to our directors and executive officers as of December 31, 2020.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Class</u>	<u>Nationality</u>	<u>Residence</u>
Jin Huang	55	President, Chief Executive Officer and Chairman of the Board	Class III	United States	China
Kia Jing Tan	48	Chief Financial Officer	N/A	Malaysia	China
Xuejun Xie	55	Vice President, Public Relationship and legal affairs	N/A	China	China
Jianguo Xue	55	Vice President, Sales	N/A	China	China
Chiao-Ling Hsu	52	Chief Operating Officer	N/A	Taiwan	China
Yanhui Ma <sup>(1)(2)</sup>	61	Director	Class III	United States	United States
Yigong Justin Chen <sup>(1)</sup>	51	Director	Class I	China	China
Ping Wu <sup>(1)(2)</sup>	58	Director	Class II	China	China
John Robert Porter	68	Director	Class II	United Kingdom	United Kingdom

(1) Member of the audit committee

(2) Member of the compensation committee

*Jin Huang* has served as our President and Chief Executive Officer and as a member of our board of directors since our inception in August 2000. Dr. Huang has over 15 years of academic and industry experience in Silicon Valley. Prior to founding Ambow, Dr. Huang was a founding engineer at Avant!, where she was responsible for product design and engineering management. Dr. Huang holds a bachelor's degree in Computer Science, a master's degree in Computer Science and a Ph.D. in Electronic Engineering from the University of Electronic Science & Technology of China. From 1990 to 1993, Dr. Huang was doing research and completed her Ph.D. dissertation at the University of California, Berkeley.

*Kia Jing Tan, FCPA (Aust.), FCA (Singapore)* joined Ambow as its Corporate Controller in December 2008. In March 2011, Kia Jing Tan was promoted to the position of Vice President, Finance. In July 2012, Kia Jing Tan was further promoted to the position of Acting Chief Financial Officer. In May 2015, Kia Jing Tan has started to serve as our Chief Finance Officer of Ambow Education Group. Kia Jing Tan has more than ten years' working experience with Big Four accounting firms in both China and Singapore. He was with KPMG Shanghai from December 2002 to September 2005 and with PricewaterhouseCoopers Shanghai from October 2005 to November 2008. Prior to joining Ambow, he worked as a Senior Audit Manager in PricewaterhouseCoopers' Shanghai office. Kia Jing Tan holds a Bachelor of Commerce degree in accounting from Deakin University, Australia. Kia Jing Tan is a Fellow Certified Practising Accountant (FCPA) with CPA Australia and Fellow Chartered Accountant of Singapore (FCA).

*Xuejun Xie* has served as our Vice President, Human Resources and Administration since 2000. Prior to joining Ambow, Ms. Xie taught biology at Sichuan Normal University from July 1988 to October 1999. Ms. Xie holds a bachelor's degree in biology from East China Normal University.

*Jianguo Xue* has served as our Vice President, Sales in charge of degree schools since December 2003. Prior to joining Ambow, Mr. Xue served as a Managing Director of Clever Software Group and Executive President of Heilongjiang Clever Networks Co., Ltd., a software company listed in China, from July 1993 to November 2003. Mr. Xue holds a bachelor's degree in English Language and Literature from Beijing Foreign Studies University and a master's certificate in English linguistics from Beijing Normal University.

*Chiao-Ling Hsu* has served as our Chief Operating Officer in June 2015. Ms. Hsu has over 15 years of operating and management experience in the education industry. Since 2011, she has served as Chief Executive Officer of Hwa Kang Foundation, and as Executive Director of the Innovative Biz Group in the School of Continuing Education (SCE) at Chinese Culture University in Taipei. From 2012 to 2014, Ms. Hsu also was Vice Chairperson at the Center For Credentialing & Education in Greensboro, North Carolina in the United States. Previously, Ms. Hsu held several positions in the SCE at Chinese Culture University, including Chief Operating Office, Director of the Customer Contact Center, and Director of the E-learning Development Center. Ms. Hsu is a graduate of Chinese Culture University, and also holds a Master of Business Education from New York University.

*Yanhui Ma* joined the board of directors in May 2014. Dr. Ma is an independent non-executive director of the company. Dr. Ma has been involved in the creation, funding and development of several healthcare companies, especially joint venture corporations between China and the United States. Dr. Ma also served on the board of directors of several healthcare related corporations he founded or co-founded in the US and China, including Sinocare and SinoMed. Dr. Ma organized and co-founded the International Drug Delivery Society and served as Vice Chairman of the Society previously. He also served as the Vice President of US Silicon Valley Chinese Business Association.

*Justin Chen* has served as a member of our board of directors since March, 2013. Mr. Justin Chen is a counsel at PacGate Law Group. He is a California licensed attorney and is qualified to practice before the United States Patent and Trademark Office. Justin Chen graduated from the University of Iowa, College of Law in 1998, with a Juris Doctor degree and graduated from Peking University, Department of Biochemistry with a bachelor's degree in 1992 and obtained his Master of Biochemistry and Juris Doctor degrees, both from University of Iowa in 1995 and 1998, respectively.

*Ping Wu* has served as a member of our board of directors since June, 2013. Dr. Ping Wu is the co-founder of SummitView Capital China Venture Capital Funds and has invested in more than 30 start-up companies since 2010. Prior to co-founding SummitView Capital, he was the co-founder and has served as President, Chief Executive Officer and Chairman of board of directors of Spreadtrum Communications Inc, a Nasdaq listed leading fables semiconductor provider in China with Advanced technology in 2G, 3G and 4G wireless communications standards, since its inception in April 2001. Dr. Ping Wu served as Senior Director at Mobilink Telecon Inc. from 1997 until 2001. Prior to 1997, Dr. Wu served as Sr. Design Manager of Trident Microsystems, Inc. Dr. Wu holds a Bachelor of Science degree in electrical engineering from Tsinghua University and a master degree and Ph.D. degree in electrical engineering from the China Academy of Aerospace Aerodynamics.

*John Robert Porter* has served as a member of our board of directors since May 2014. Mr. Porter is a non-executive director of the company. Mr. Porter is also a director of CEIHL. Mr. Porter is an English businessman and philanthropist, best known as the grandson of Sir Jack Cohen, Founder of Tesco and son of Dame Shirley Porter. Mr. Porter obtained degrees from Oxford, the Institute d'Etudes Politiques in Paris, and Stanford University Business, where he is also on the advisory council.

The business address of each of our executive officers and directors is Ambow Education Holding Ltd., 12th Floor, Tower 1, Financial Street, Chang'an Center, Shijingshan District, Beijing 100043, China.

There are no family relationships among any of our directors and executive officers.

None of our non-executive directors has any employment or service contract with our company.

#### **Terms of executive officers**

Our executive officers are appointed by, and serve at the discretion of, our board of directors.

#### **B. Compensation**

During 2020, the aggregate cash compensation that we paid to our executive officers as a group was RMB 3.0 million (US\$ 0.5 million), which includes bonuses, salaries and other benefits that were earned in 2019 and paid in 2020. We accrued fees to each non-executive director for their services rendered to us starting from October 15, 2018. As of December 31, 2020, we accrued RMB 2.3 million (US\$ 0.4 million) for director compensation. Our full-time employees in the PRC, including our executive officers, participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to qualified employees. We do not provide our directors with any pension, retirement or similar benefits on termination.

There were no share-based compensation expenses for the share options during the years from 2018 to 2020. As of December 31, 2019 and 2020, all share options were vested.

On November 22, 2018, the Board of Directors approved to convert 293,059 outstanding and expired options with an exercise price of US\$0.4749 into 293,059 shares of restricted stock. All restricted stock subject to this award shall fully vest as of November 22, 2018.

On November 22, 2018, the Board of Directors approved to grant 200,000 shares of the restricted stock to senior employees of the Company. Twenty-five percent of the awards shall vest on the one-year anniversary of the vesting commence date, and the remainder shall vest in equal and continuous monthly installments over the following thirty-six months thereafter, subject to participant's continuing service of the Company through each vesting date. During 2019 and 2020, 54,167 and 50,001 shares of restricted stock were vested, respectively.

## Employment agreements

### *Service agreement with Dr. Jin Huang*

We entered into a service agreement dated August 28, 2007 with Dr. Jin Huang, our Chief Executive Officer. The initial employment term under this service agreement is two years, which will automatically be extended by successive periods of twelve months, unless we or Dr. Huang gives the other party a written notice three months prior to the commencement of the next twelve-month period indicating that the notifying party does not wish to extend the employment term, in which case the employment term will expire at the end of such three-month notice period.

In the event that we terminate Dr. Huang's employment for cause, or if Dr. Huang voluntarily resigns (other than a resignation for good cause following a change of control), Dr. Huang will not be entitled to receive any severance benefits; provided, that Dr. Huang will be able to exercise any vested and unexercised awards under our equity incentive plans in accordance with the terms set forth therein.

In the event that we terminate Dr. Huang's employment under circumstances other than a change of control and for any reason other than for cause or voluntary termination, or if within 24 months after a change of control Dr. Huang is involuntarily terminated (other than for cause) or voluntarily resigns for good cause, Dr. Huang will be entitled to certain severance benefits, including:

- A lump sum payment consisting of: (i) an amount equal to one-time Dr. Huang's then annual salary; (ii) a prorated bonus based on target opportunity for the year; and (iii) an amount equal to 12 months' housing allowance;
- The right to exercise any and all unexercised stock options granted under our equity incentive plans in accordance with their terms, as if all such unexercised stock options were fully vested, within one year of the effective date of such termination; and
- Any other bonus amounts or benefits to which Dr. Huang may be entitled under any of our benefit plans.

Pursuant to the service contract, Dr. Huang also has agreed to certain non-competition undertakings during the term of her employment and for a period of one-year following any termination of her employment. These non-competition undertakings include that Dr. Huang may not, during the one-year period following any termination of her employment, (i) solicit or entice away any of our clients or prospective clients, (ii) have any business dealings with any of our clients or prospective clients, (iii) solicit or entice away any individual who is employed by us as a director or in a managerial, executive or technical capacity, or employ or engage any such individual, or (iv) carry on, set up, be employed, engaged or interested in a business anywhere in the PRC which is in competition with our business as of the termination date. These non-competition undertakings will not prohibit Dr. Huang from seeking or doing any business that is not in direct or indirect competition with our business, nor will they prevent Dr. Huang from holding shares or other capital not amounting to more than 5% of the total issued share capital of any company which is listed on a regulated market. Dr. Huang is entitled to receive one-half her annual base salary over the post-termination non-competition period as consideration for her non-competition undertakings, which are subject to our making such payments.

"Cause" means that Dr. Huang habitually neglects her duties to us or engages in gross misconduct during the term of the service agreement and "gross misconduct" means her misappropriation of funds, securities fraud, insider trading, unauthorized possession of corporate property, the sale, distribution, possession or use of a controlled substance, conviction of any criminal offense or entry of a plea of nolo contendere (or similar plea) to a charge of such an offense or a breach of the service agreement and failure to cure such breach within ten days after written notice thereof.

"Good cause" means, without Dr. Huang's express prior written consent, (i) she is assigned duties materially inconsistent with her position, duties, responsibilities, or status with the company which substantially vary from that which existed immediately prior to the change of control, and such reassignment is not directly related to her incapacity, disability or any "cause"; (ii) she experiences a change in her reporting levels, titles, or business location (more than 50 miles from her current business location or residence, whichever is closer to the new business location) which substantially varies from that which existed immediately prior to the change of control, and such change is not directly related to her incapacity, disability or any "cause"; (iii) she is removed from any position held immediately prior to the change of control, or if she fails to obtain reelection to any position held immediately prior to the change of control, which removal or failure to reelect is not directly related to her incapacity or disability, "cause" or death; (iv) she experiences a reduction in salary of more than ten percent below that which existed immediately prior to the change of control, and such reduction is not directly related to her incapacity, disability or any "cause"; (v) she experiences an elimination or reduction of any employee benefit, business expenses, reimbursement or allotment, incentive bonus program, or any other manner or form of compensation available to her immediately prior to the change of control and such change is not otherwise applied to others in the company with her position or title and is not directly related to her incapacity, disability or any "cause"; or (vi) we fail to obtain from any successor, before the succession takes place, a written commitment obligating the successor to perform the service agreement in accordance with all of its terms and conditions.

"Change in control" means (i) any merger, consolidation, or sale of the company such that any individual, entity or group acquires beneficial ownership of 50 percent or more of our voting capital stock, (ii) any transaction in which we sell substantially all of our material assets, (iii) our dissolution or liquidation, (iv) any change in the control of the composition of our board of directors such that the shareholders who as of the date of the service agreement controlled the composition of our board of directors shall cease to have such control, or (v) there has occurred a "change of control", as such term (or any term of like import) is defined in any of the following documents which is in effect with respect to us at the time in question: any note, evidence of indebtedness or agreement to lend funds to us, any option, incentive or employee benefit plan of us or any employment, severance, termination or similar agreement with any person who is then our employee.

## ***Employment Agreements with our other Executive Officers***

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period subject to renewal. We may terminate employment with or without cause in accordance with the Labor Contract Law of the PRC and the applicable PRC regulations. As stipulated under the applicable laws, we may be required to provide severance compensation as expressly required by applicable law. In certain cases, in the event of termination without cause, we are also required to provide severance compensation in accordance with the terms of the applicable employment agreement.

## ***Confidential information and invention assignment agreements***

We have also entered into a confidential information and invention assignment agreement with each of our executive officers. We require all of our employees to execute the same confidential information and invention assignment agreement or an agreement on substantially similar terms. Under the terms of the agreement, each executive officer has agreed to hold, both during and after such executive officer's term of employment, in strictest confidence and not to use, except for our benefit, or to disclose to any person, firm or corporation without written authorization, any confidential information. Confidential information does not include any information which has become publicly known and made generally available through no wrongful act of our executive officers. Each executive officer has also agreed during such officer's term of employment not to improperly use or disclose any proprietary information or trade secrets of any former or current employer or other person or entity unless consented to in writing by such employer, person or entity. In addition, each executive officer has agreed to disclose to us, hold in trust for the sole right and benefit of us and assign to us, all right, title and interest in and to, any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registerable under copyright or similar laws, which such executive officer may solely or jointly conceive, develop or reduce to practice or cause to be conceived, developed or reduced to practice, during the period of employment. Furthermore, each executive officer has agreed to not directly or indirectly solicit, induce, recruit or encourage any employees to leave their employment during the twelve-month period immediately following such executive officer's termination of employment.

## ***Equity-based compensation plans***

### ***2010 Equity Incentive Plan***

On June 1, 2010, we adopted the 2010 Equity Incentive Plan, or the "2010 Plan", which became effective upon the completion of the IPO on August 5, 2010 and terminated automatically 10 years after its adoption.

### ***Amended and Restated 2010 Equity Incentive Plan***

On December 21, 2018, we amended and restated the 2010 Plan, which became effective upon the approval of the shareholders at the Annual Meeting of Shareholders on December. The Amended 2010 Plan will continue in effect for 10 years from the date adopted by the Board, unless terminated earlier under section 18 of the Plan.

*Share reserve*. The maximum aggregate number of our ordinary shares that may be issued under our Amended 2010 Plan is such number of shares as shall be equal to 6,500,000 Class A Ordinary Shares, plus any shares that subject to stock options or similar awards granted under the 2005 Stock Plan that expire or otherwise terminate without having been exercised in full, and shares issued pursuant to awards granted under the 2005 Stock Plan that are forfeited to or converted by the company, with the maximum number of shares to be added to the Amended 2010 Plan equal to 293,059 Class A Ordinary Shares. In addition, our Amended 2010 Plan provides for increases in the number of shares available for issuance thereunder on the closing day of each future registration before the fiscal years ending December 31, 2020, in the amount equal to 15% of the Class A Ordinary Shares issued in each registration.

Shares issued pursuant to awards under the Amended 2010 Plan that we repurchase or that are forfeited, as well as shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award, will become available for future grant under the Amended 2010 Plan. In addition, to the extent that an award is paid out in cash rather than shares, such cash payment will not reduce the number of shares available for issuance under the Amended 2010 Plan. As of December 31, 2020, the Group granted up to 1,905,222 Class A Ordinary Shares of the company to its employees, outside directors and consultants.



*Administration* . Our board of directors or a committee of our board of directors administers our Amended 2010 Plan. Different committees with respect to different groups of service providers may administer our Amended 2010 Plan. Subject to the provisions of our Amended 2010 Plan, the administrator has the power to determine the terms of the awards, including the recipients, the exercise price, the number of shares subject to each such award, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration payable upon exercise. The administrator also has the authority to modify or amend awards, to prescribe rules and to construe and interpret the Amended 2010 Plan and to institute an exchange program whereby the exercise prices of outstanding awards may be reduced, outstanding awards may be surrendered in exchange for awards with a higher or lower exercise price, or outstanding awards may be transferred to a third party.

*Options* . The administrator may grant incentive stock option (“ISOs”) or nonstatutory stock option (“NSOs”) under our Amended 2010 Plan. The exercise price of options granted under our Amended 2010 Plan must at least be equal to the fair market value of our ordinary shares on the date of grant and its term may not exceed ten years, except that with respect to any participant who owns more than 10% of the total combined voting power of all classes of our outstanding shares, or of certain of our parent or subsidiary corporations, the term of an ISO must not exceed five years and the exercise price of such ISO must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other options.

After termination of an employee, director or consultant, he or she may exercise his or her option, to the extent vested as of such date of termination, for the period of time stated in the option agreement. In the absence of a specified period of time in the option agreement, the option will remain exercisable for a period of three months following termination (or twelve months in the event of a termination due to death or disability). However, in no event may an option be exercised later than the expiration of its term.

*Share appreciation rights* . Share appreciation rights may be granted under our Amended 2010 Plan. Share appreciation rights allow the recipient to receive the appreciation in the fair market value of our ordinary shares between the exercise date and the date of grant. The exercise price of share appreciation rights granted under our Amended 2010 Plan must at least be equal to the fair market value of our ordinary shares on the date of grant. The administrator determines the terms of share appreciation rights, including when such rights vest and become exercisable and whether to settle such awards in cash or with our ordinary shares, or a combination thereof. Share appreciation rights expire under the same rules that apply to options.

*Restricted shares* . Restricted shares may be granted under our Amended 2010 Plan. Restricted share awards are ordinary shares that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Restricted shares will vest and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator. The administrator will determine the number of restricted shares granted to any employee. The administrator may impose whatever conditions to vesting it determines to be appropriate. For example, the administrator may set restrictions based on the achievement of specific performance goals and/or continued service to us. Recipients of restricted share awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Restricted shares that do not vest for any reason will be forfeited by the recipient and will revert to us.

*Restricted share units* . Restricted share units may be granted under our Amended 2010 Plan. Each restricted share unit granted is a bookkeeping entry representing an amount equal to the fair market value of an ordinary share. Restricted share units are similar to awards of restricted shares, but are not settled unless the award vests. The awards may be settled in shares, cash, or a combination of both, as the administrator may determine. The administrator determines the terms and conditions of restricted share units including the vesting criteria and the form and timing of payment.

*Performance units and performance shares* . Performance units and performance shares may be granted under our Amended 2010 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. Performance units will have an initial dollar value established by the administrator prior to the grant date. Performance shares will have an initial value equal to the fair market value of our ordinary shares on the grant date. Payment for performance units and performance shares may be made in cash or in our ordinary shares with equivalent value, or in some combination, as determined by the administrator.

*Transferability* . Unless the administrator provides otherwise, our Amended 2010 Plan does not allow for the transfer of awards other than by will or the laws of descent and distribution and only the recipient of an award may exercise an award during his or her lifetime.

*Certain adjustments* . In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the Amended 2010 Plan, the administrator will make adjustments to one or more of the number and class of shares that may be delivered under the plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits contained in the plan. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

*Change in control transactions* . Our Amended 2010 Plan provides that in the event of our merger or change in control, as defined in the Amended 2010 Plan, each outstanding award will be treated as the administrator determines, except that if the successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for each outstanding award without the prior written consent of the participant, then such award will fully vest, all restrictions on such award will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels and such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time.

*Term, Amendment and Termination* . Our Amended 2010 Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 18 of the Plan. Our board of directors has the authority to amend, suspend or terminate the 2010 Equity Incentive Plan provided such action does not impair the rights of any participant with respect to any outstanding awards.

The following table summarizes, as of December 31, 2020, the share options and other equity awards granted to our executive officers under our Amended 2010 Plan or pursuant to other arrangements approved by our board of directors:

Name	Ordinary Shares		Date of Grant (original)	Date of Grant (New)	Date of Expiration
	Underlying Options Granted & Restricted Shares				
Dr. Jin Huang	(1)*		02/25/10	11/22/18	—
Tan Kia Jing	(1)*		02/10/09	11/22/18	—
	(1)*		02/25/10	11/22/18	—
	(1)*		02/25/11	11/22/18	—
Xuejun Xie	(1)*		08/04/06	11/22/18	—
	(1)*		08/26/08	11/22/18	—
	(1)*		02/25/10	11/22/18	—
	(1)*		—	05/18/15	—
Jianguo Xue	(1)*		08/26/08	11/22/18	—
	(1)*		02/25/10	11/22/18	—
	(1)*		—	05/18/15	—
Chiao-Ling Hsu	(1)*		—	05/18/15	—

\* Less than 1% of the outstanding ordinary shares

(1) Restricted shares

Our non-employee directors have received restricted shares.

### C. Board Practices

As of December 31, 2020, our board of directors consisted of five directors:

Dr. Jin Huang, Mr. Justin Chen, Mr. Ping Wu, Mr. John Porter and Dr. Yanhui Ma. Our directors are elected for three year terms.

We believe that each of the non-executive members of our board of directors, other than Mr. Porter, is an “independent director” as that term is used in the NYSE corporate governance rules.

No shareholder has the contractual right to designate persons to be elected to our board of directors, and our Sixth Amended and Restated Memorandum and Articles of Association provides that directors will be elected upon a resolution passed at a duly convened shareholders meeting by holders of a majority of our outstanding shares being entitled to vote in person or by proxy at such meeting, to hold office until the expiration of their respective terms. There is no minimum shareholding or age limit requirement for qualification to serve as a member of our board of directors.

We have a staggered board. The Directors are divided into Class I, Class II and Class III, respectively and are assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors.

- At the first annual general meeting of Members (a person whose name is entered in the Register of Members as the holder of a share or shares) following the initial meeting, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years.
- At the second annual general meeting of Members following the initial meeting, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three years.
- At the third annual general meeting of Members following the initial meeting, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years.
- At each succeeding annual general meeting of Members, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual general meeting.

The following table sets forth the names and classes of our directors as of the date of this annual report:

Class I	Class II	Class III
Yigong Justin Chen	Ping Wu John Robert Porter	Jin Huang Yanhui Ma

A director may be removed for negligence or other reasonable cause at any time before the expiration of his or her term by a special resolution passed at a duly convened shareholder meeting by the holders of at least two-thirds of our outstanding shares being entitled to vote in person or by proxy at such meeting or by a unanimous written consent of our shareholders. Vacancies on our board of directors created by such a removal or by resignation may be filled by resolution passed at a duly convened shareholder meeting by the holders of a majority of our outstanding shares entitled to vote in person or by proxy at such meeting or by a majority vote of the remaining directors in office. A director so elected or appointed shall hold office until the next succeeding annual shareholder meeting and may be nominated for reelection at that time.

A director may vote on a proposal, arrangement or contract in which the director is interested, provided that such director has disclosed his interest in such matter to the board of directors at a meeting of the board of directors.

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

#### ***Board Meetings and Executive Sessions***

Once a quarter, and more often if circumstances require, our Board of Directors holds meetings. In addition to regularly scheduled Board meetings, the independent directors of the Board meet on a regular basis to fulfill their responsibilities on each of the Board committees. The independent directors also meet annually in executive sessions without the presence of management and non-independent directors.

## ***Duties of directors***

In general, under Cayman Islands law, our directors have a duty of loyalty to act honestly, in good faith and in our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association then in effect. In certain limited circumstances, our shareholders have the right to seek damages through a derivative action in the name of the company if a duty owed by our directors is breached.

## **Committees of our board of directors**

We have established an audit committee and a compensation committee. We have adopted a charter for each of these committees. These committees' members and functions are briefly described below. As a Cayman Islands company, we are not required to have a separate nominating and corporate governance committee of the board. Our full board of directors will perform the functions performed by such committee.

### ***Audit committee***

Our audit committee consists of Yigong Justin Chen, Ping Wu and Yanhui Ma, each of whom meets the independence standards of the NYSE and the SEC. Yigong Justin Chen is the Chairperson of our audit committee. Mr. Yanhui Ma serves as our audit committee financial expert. The responsibilities of our audit committee include, among other things:

- Appointing, and overseeing the work of our independent auditors, approving the compensation of our independent auditors, and, if appropriate, discharging our independent auditors;
- Pre-approving engagements of our independent auditors to render audit services and/or establishing pre-approval policies and procedures for such engagements and pre-approving any non-audit services proposed to be provided to us by our independent auditors;
- Discussing with management and our independent auditors significant financial reporting issues raised and judgments made in connection with the preparation of our financial statements;
- Reviewing and discussing reports from our independent auditors on (1) the major critical accounting policies to be used, (2) significant alternative treatments of financial information within the U.S. generally accepted accounting principles, or GAAP, that have been discussed with management, (3) ramifications of the use of such alternative disclosures and treatments, and (4) other material written communications between our independent auditors and management;
- Resolving any disagreements between management and our independent auditors regarding financial reporting;
- Establishing procedures for receiving, retaining and treating any complaints we receive regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- Reporting regularly to the full board of directors.

### ***Compensation committee***

Our compensation committee consists of Dr. Yanhui Ma and Dr. Ping Wu, each of whom is an "independent director" as that term is used in the NYSE corporate governance rules. Ping Wu is the Chairperson of our compensation committee. Our compensation committee assists the board of directors in reviewing and approving the compensation structure of our directors and officers, including all forms of compensation to be provided to our directors and officers. The responsibilities of our compensation committee include, among other things:

- Reviewing and recommending to our board of directors with respect to the total compensation package for our executive officers;
- Reviewing and recommending to our board of directors with respect to director compensation, including equity-based compensation; and
- Reviewing periodically and recommending to the board of directors with respect to any long term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

#### D. Employees

As of December 31, 2020, we and our subsidiaries had 1,809 full-time employees, and 1,857 part-time employees, respectively. As of December 31, 2020, we had the following numbers of full-time employees by cost nature: 200 in selling and marketing, 472 in general and administrative functions, 56 in research and development, and 1,081 in cost of revenues. None of our employees are represented by collective bargaining arrangements. We consider our relations with our employees to be good.

#### E. Share Ownership

The following table sets forth, as of February 28, 2021, certain information concerning the beneficial ownership of the Class A Ordinary Shares and Class C Ordinary Shares by (i) each shareholder known by the company to own beneficially five percent or more of the outstanding Class A Ordinary Shares and Class C Ordinary Shares; (ii) each director and the nominee for director of the company; (iii) each executive officer of the company; and (iv) all executive officers and directors of the company as a group, and their percentage ownership and voting power.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated in the footnotes below, we believe, based on the information furnished to us, that the persons named in the following table have sole voting and investment power with respect to all ordinary shares that they beneficially own, subject to applicable community property laws. As of February 28, 2021, the percentage of beneficial ownership for holders of Class A ordinary shares is based on 41,738,925 Class A Ordinary Shares issued and outstanding and the percentage of beneficial ownership for holders of Class C ordinary shares is based on 4,708,415 Class C Ordinary Shares issued and outstanding, both of which classes of ordinary shares exclude unvested restricted shares. On all matters subject to vote at general meetings of the company, the holders of Class A ordinary shares are entitled to one vote per share and the holders of Class C ordinary shares are entitled to ten votes per share.

Unless otherwise indicated, the address of such individual is c/o Ambow Education Holding Ltd., 12th Floor, Tower 1, Financial Street, Chang'an Center, Shijingshan District, Beijing 100043, China.

Name	Shares beneficially owned						Percentage of votes held		
	Number of Class A ordinary shares	Percentage of Class A ordinary shares (%)	Number of Class C ordinary shares	Percentage of Class C ordinary shares (%)	Number of total ordinary shares	Percentage of total ordinary shares (%)	Based on total Class A ordinary shares (%)	Based on total Class C ordinary shares (%)	Based on total ordinary shares (%)
<b>Directors and Executive Officers</b>									
Jin Huang (2)(7)	638,012	1.53%	4,708,415	100%	5,346,427	11.51%	1.53%	100%	53.73%
Kia Jing Tan	-	-	-	-	-	-	-	-	-
Xuejun Xie	-	-	-	-	-	-	-	-	-
Jianguo Xue	-	-	-	-	-	-	-	-	-
Yigong Justin Chen	-	-	-	-	-	-	-	-	-
Ping Wu (3)	960,383	2.30%	-	-	960,383	2.07%	2.30%	-	1.08%
John Porter	999,205	2.39%	-	-	999,205	2.15%	2.39%	-	1.12%
Ralph Parks	-	-	-	-	-	-	-	-	-
Yanhui Ma	-	-	-	-	-	-	-	-	-
Chiao-Ling Hsu	-	-	-	-	-	-	-	-	-
<b>All executive officers and directors of the company as a group (10 persons)(5)</b>	<b>4,010,965</b>	<b>9.61%</b>	<b>4,708,415</b>	<b>100%</b>	<b>8,719,380</b>	<b>18.77%</b>	<b>9.61%</b>	<b>100%</b>	<b>57.52%</b>
<b>5% and Greater Shareholders</b>									
New Summit Global Limited	2,703,475	6.48%	-	-	2,703,475	5.82%	6.48%	-	3.04%
CEIHL Partners (I) Limited (4)	3,420,375	8.19%	-	-	3,420,375	7.36%	8.19%	-	3.85%
CEIHL Partners (II) Limited (4)	11,144,636	26.70%	-	-	11,144,636	23.99%	26.70%	-	12.55%
New Flourish Holdings Limited (6)	-	-	-	-	-	-	-	-	-
(7)	1,088,328	2.61%	4,288,415	91.08%	5,376,743	11.58%	2.61%	91.08%	49.51%
Spin-Rich Ltd. (6)(8)	-	-	420,000	8.92%	420,000	0.90%	-	8.92%	4.73%

Note: Shares of executive officers and directors less than 1% of outstanding shares and shares of shareholders less than 5% of outstanding shares were not shown.

- (1) In computing the number of shares beneficially owned by a person and the percentage ownership of a person, shares subject to warrants or other derivative securities held by that person that are currently exercisable or exercisable within 60 days are deemed outstanding. Such shares, however, are not deemed outstanding for purposes of computing the percentage ownership of each other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares.
- (2) Of the 638,012 Class A Ordinary Shares (i) 573,914 of the Class A Ordinary Shares are owned by New Flourish Holdings Limited (“New Flourish”) for the benefit of Dr. Huang and certain officers of the Company, and (ii) 64,098 of the Class A Ordinary Shares are owned directly by Dr. Huang. Dr. Huang as the sole director of New Flourish has voting control and investment power over the Class A Ordinary Shares held by New Flourish, but disclaims beneficial ownership over such shares, which are held for the benefit of certain officers of the Company.
- (3) The Class A Ordinary Shares are held by SummitView Investment Fund I, L.P. and Changzhou SummitView Venture Fund, LLP. Mr. Wu disclaims beneficial ownership of all shares held by SummitView Investment Fund I, L.P. and Changzhou SummitView Venture Fund LLP., except to the extent of his pecuniary interest therein. The business address of Mr. Wu is Room 1101, Block E of Poly Plaza, No. 18 Dongfang Road, Shanghai 200120, China. Mr. Wu, individually owns 135,226 Class A Ordinary Shares that have been vested in his capacity as a Board member of the Company.
- (4) Mr. Pan Jianyue is the general partner of CEIHL Partners (I) Limited and CEIHL Partners (II) Limited (collectively “CEIHL”). CEIHL Partners (I) Limited holds 3,420,375 Class A Ordinary Shares and CEIHL Partners (II) Limited holds 11,144,636 Class A Ordinary Shares. As the general partner of CEIHL Partners (I) Limited and CEIHL Partners (II) Limited, Mr. Pan Jianyue has sole voting and dispositive power over the Class A Ordinary Shares held by CEIHL.
- (5) Includes Class A Ordinary Shares and Class C Ordinary Shares held by all of our directors and executive officers as a group.
- (6) Of the 4,708,415 Class C Ordinary Shares (i) 4,288,415 of the Class C Ordinary Shares are owned by New Flourish for the benefit of Dr. Jin Huang, and (ii) 420,000 of the Class C Ordinary Shares are owned by Spin-Rich Ltd. Dr. Huang as the sole director of New Flourish has voting control and investment power over the Class C Ordinary Shares held by New Flourish.
- (7) Dr. Jin Huang, as the sole director of New Flourish has voting control and investment power over the Class A Ordinary Shares and the Class C Ordinary Shares owned by New Flourish. Dr. Huang disclaims beneficial ownership over the Class A Ordinary Shares, which are held for the benefit of certain officers of the company.
- (8) Dr. Jin Huang has sole voting control and investment power over Class C Ordinary Shares owned by Spin-Rich Ltd.

Three shareholders of the VIEs, namely Xuejun Xie, Gang Huang and Jianguo Xue are also beneficial owners of the company. As of February 28, 2021, the aggregated beneficial ownership of the three individuals was less than 2% of the company.

Except as disclosed in this annual report, including contractual control arrangements and VIE shareholders’ beneficial ownership in us and equity interest in VIEs, there are no relationships between the parties. Other than the voting proxies given to Dr. Jin Huang, and the contractual control arrangements disclosed in this annual report, our officers, directors or shareholders do not have any written or oral agreement with the VIE shareholders. We are not aware of any relationship or arrangement between or among any shareholders that would enable any of them to control, in substance or contractually, any other shareholder’s vote.

We believe that under our current corporate structure, where the shareholders of the VIEs are also our shareholders and officers, the interests of the VIEs and their shareholders largely are aligned with us and our shareholders as a practical matter. In addition, each shareholder of the VIEs has signed a power of attorney to exercise his or her voting power. If shareholders of VIEs attempt to revoke the powers of attorney, the company will instruct AECL, one of our subsidiaries, to exercise its exclusive option to designate other PRC persons to acquire the equity interests in such VIE from its current shareholders pursuant to call option agreements. Before the current shareholders transfer the equity interests of the VIE to other PRC persons designated by AECL, it is prohibited from transferring the equity interests of the VIE to anyone else without the AECL' prior written consent under the equity pledge agreements. Moreover, pursuant to call option agreements, VIEs' shareholders agree not to, and shall cause VIEs not to, sell, assign, mortgage or otherwise dispose of any assets, lawful income and business revenues of VIEs, or enter into any transactions that may substantially affect the company's assets, liabilities, operations, equity and other legitimate interests (other than those made in the ordinary course of business or have been disclosed to and approved by AECL in writing) before AECL or an entity designated by AECL in writing exercises call option to obtain all the equity interest and assets. As a cumulative result of the foregoing, we are of the view that shareholders of VIEs are unable to effectively revoke the powers of attorney under the VIE agreements. For the risk relating to potential conflicts of interests between shareholders of VIE with us, please also refer to the risk factor captioned. The shareholders of our VIEs may have potential conflicts of interest with us, which may harm our business and financial condition.

As of February 28, 2021, approximately 46,447,340 of our ordinary shares were issued and outstanding. Citibank, N.A., the depository, has advised us that, as of February 28, 2021, 7,356,270 ADRs, representing 14,712,540 underlying ordinary shares were outstanding. The number of beneficial owners of our ADR in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

## **Item 7. Major Shareholders and Related Party Transactions**

### **A. Major Shareholders**

Please refer to “Item 6.E Directors, Senior Management and Employees — Share Ownership.”

### **B. Related Party Transactions**

Contractual arrangements with our VIEs and their respective subsidiaries and shareholders

PRC laws and regulations prohibit foreign ownership of primary and middle schools for students in grades one to nine and foreign ownership of Internet content business in China.

We conduct our education business in China primarily through contractual arrangements among our subsidiaries in China and VIEs. Our VIEs and their respective subsidiaries hold the requisite licenses and permits necessary to conduct our education business in China and operate our tutoring and training offices, K-12 schools and career enhancement centers. These contractual arrangements enable us to:

- Exercise effective control over our VIEs and their respective subsidiaries;
- Receive a substantial portion of the economic benefits from our VIEs and their respective subsidiaries in consideration for products sold and technical support, marketing and management consulting services provided by Ambow Education Management, Ambow Shengying, BoheLe and Ambow Chuangying to our VIEs and their respective subsidiaries; and
- Have an exclusive option to purchase all or part of the equity interests in our VIEs, in each case when and to the extent permitted by applicable PRC law.

Our subsidiaries and VIEs' subsidiaries have engaged, during the ordinary course of business, in a number of customary transactions with each other. All of these inter-company balances have been eliminated in consolidation.

See “Item 4.C — Information on the Company — Organizational Structure” for a summary of these contractual arrangements.

As of December 31, 2020, we had RMB 3.0 million (US\$ 0.5 million) due from certain related party and owed RMB 2.5 million (US\$ 0.4 million) to certain related parties. For a list of these transactions we have entered into with and the outstanding balances to and from such related parties for the years ended December 31, 2018, 2019 and 2020, see Note 24 to audited consolidated financial statements. We do not believe that such transactions with the related parties require approval from the government.

## Employment agreements

We have entered into a service contract with our Chief Executive Officer as well as employment agreements and confidential information and invention assignment agreements with each of our executive officers. See “Item 6.B— Directors, Senior Management and Employees—Compensation— Employment agreements.”

## Indemnification agreements

We have entered into indemnification agreements with each of our directors and executive officers that provide our directors and executive officers with additional protection regarding the scope of the indemnification set forth in our memorandum and articles of association. Pursuant to these agreements, we indemnify each of our directors and executive officers (to the fullest extent permitted by Cayman Islands law) against all costs and expenses, including expense advances, incurred in connection with any claim by reason or arising out of any event or occurrence relating to the fact that such person is our director or executive officer or is serving at our request at another corporation or entity, or by reason of any activity or inactivity while serving in such capacity. We are not, however, obligated to indemnify any such person:

- For expenses resulting from matters for which such person is prohibited from being indemnified under our memorandum and articles of association then in effect or applicable laws;
- In respect of any claim initiated or brought voluntarily by such person (other than in limited specified circumstances); or
- For expenses incurred in relation to any proceedings to enforce the agreement in which material assertions in such proceedings made by such person are finally determined by a court to be not made in good faith or to be frivolous.

## Registration rights

We entered into a registration rights agreement with Campus, Dr. Huang and Spin-Rich Ltd., which entitles them to certain registration rights, including demand registration rights, Form F-3 registration rights, and piggyback registration rights.

### C. Interests of Experts and Counsel

Not applicable.

## Item 8. Financial Information

### A. Consolidated Financial Statements and other Financial Information

Please see “Item 18. Financial Statements.”

## Legal Proceedings

As of December 31, 2020, we did not have any significant indemnification claims that were probable or reasonably possible.

## Dividends

Since our inception, we have not declared or paid any dividends on our shares. We intend to retain any earnings for use in our business and do not currently intend to pay cash dividends on our ordinary shares. Dividends, if any, on our outstanding ordinary shares will be declared by and subject to the discretion of our board of directors, and subject to Cayman Islands law.

Our ability to pay cash dividends will also depend upon the amount of distributions, if any, received by us from our PRC subsidiaries, which must comply with the laws and regulations of the PRC and their respective articles of association in declaring and paying dividends to us. Under the applicable requirements of PRC law, our PRC subsidiaries incorporated as companies may only distribute dividends after they have made allowances to fund certain statutory reserves. If they record no net income for a year as determined in accordance with generally accepted accounting principles in the PRC, they generally may not distribute dividends for that year.



Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, to the extent permitted by applicable law and regulations, less the fees and expenses payable under the deposit agreement. Any dividend we declare will be distributed by the depositary bank to the holders of our ADSs. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

**B. Significant Changes**

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

**Item 9. The Offer and Listing**

**A. Offer and Listing Details**

See “Item 9. The Offer and Listing—C. Markets.”

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ADSs (each representing two Class A Ordinary Shares) currently trade in the NYSE American under the symbol “AMBO”.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Our Sixth Amended and Restated Memorandum and Articles of Association were adopted by our shareholders at an extraordinary general meeting held on June 30, 2015. A copy of the Sixth Amended and Restated Memorandum and Articles of Association are incorporated by reference to Exhibit 99.1 of our 6-K filed with the Commission on June 4, 2015.

**C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 7.B Related Party Transactions” or elsewhere in this annual report on Form 20-F.

**D. Exchange Controls**

See “Item 4.B Information on the Company—Business Overview—Regulation—Regulations on Foreign Exchange.”

## **E. Taxation**

The following summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences of any investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any ADSs or ordinary shares under the laws of their country of citizenship, residence or domicile.

### **Cayman Islands taxation**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the ADSs or ordinary shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

No stamp duty, capital duty, registration or other issue or documentary taxes are payable in the Cayman Islands on the creation, issuance or delivery of the ADSs or ordinary shares. The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are currently no Cayman Islands' taxes or duties of any nature on gains realized on a sale, exchange, conversion, transfer or redemption of the ADSs or ordinary shares. Payments of dividends and capital in respect of the ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the ADSs or ordinary shares, nor will gains derived from the disposal of the ADSs or ordinary shares be subject to Cayman Islands income or corporation tax as the Cayman Islands currently have no form of income or corporation taxes.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have applied for and obtained an undertaking from the Governor of the Cayman Islands that no law enacted in the Cayman Islands during the period of 20 years from the date of the undertaking imposing any tax to be levied on profits, income, gains or appreciation shall apply to us or our operations and no such tax or any tax in the nature of estate duty or inheritance tax shall be payable (directly or by way of withholding) on the ADSs or ordinary shares, debentures or other obligations of ours.

### **People's Republic of China taxation**

The China EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% corporate income tax rate as to their worldwide income. Under the implementation regulations for the EIT Law issued by the PRC State Council, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Currently no interpretation or application of the EIT Law and its implementing rules is available for non-Chinese enterprise or group enterprise controlled entity. Therefore, it is unclear whether PRC tax authorities would require (or permit) us to be treated as a PRC resident enterprise.

Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. However, under a PRC tax law that became effective in January 2008 and the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement, which became effective on January 1, 2007, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 5%. If we are considered a PRC "resident enterprise," it is unclear whether dividends we pay with respect to our ordinary shares or ADSs, or the gain you may realize from the transfer of our ordinary shares or ADSs, may be treated as income derived from sources within the PRC and would be subject to PRC tax. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our ordinary shares or ADSs might be able to claim the benefit of income tax treaties entered into between China and other countries.

### **United States federal income taxation**

#### **General**

The following are the material U.S. federal income tax consequences of the acquisition, ownership and disposition of the ADSs or ordinary shares. As used in this discussion, references to "we," "us" or "our" refer to Ambow Education Holding Ltd.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to a beneficial owner of the ADSs or ordinary shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A beneficial owner of the ADSs or ordinary shares that is described above is referred to herein as a “U.S. Holder.” If a beneficial owner of the ADSs or ordinary shares is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a “Non-U.S. Holder.” The material U.S. federal income tax consequences applicable specifically to Non-U.S. Holders are described below under the heading “Non-U.S. Holders.”

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder’s individual circumstances. In particular, this discussion considers only holders that purchase ADSs pursuant to this offering and own and hold the ADSs or ordinary shares as capital assets within the meaning of Section 1221 of the Code, and does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long term residents of the United States;
- persons that actually or constructively own 5% or more of our voting shares (including as a result of ownership of the ADSs);
- persons that acquired the ADSs or ordinary shares pursuant to an exercise of employee options, in connection with employee incentive plans or otherwise as compensation;
- persons that hold the ADSs or ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- passive foreign investment companies; or
- controlled foreign corporations.

The discussion below assumes that the representations contained in the deposit Agreement are true and that the obligations in the deposit Agreement and any related agreement will be complied with in accordance with their terms. This discussion also assumes that the ADSs will represent only ordinary shares in us and will not represent cash or any other type of property. For U.S. federal income tax purposes, a holder of the ADSs will be treated as the beneficial owner of the underlying ordinary shares represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to U.S. federal income tax.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions also would be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, as described below. Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by certain non-corporate U.S. Holders could be affected by actions that may be taken by parties to whom ADSs are pre-released, or by future actions of the U.S. Treasury Department.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of the ADSs or ordinary shares. This discussion also does not address the tax treatment of any taxes, fees or expenses that may be payable by an ADS holder pursuant to the deposit Agreement. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold the ADSs or ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of the ADSs or ordinary shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) to a holder in respect of the ADSs or ordinary shares and any consideration received (or deemed received) by a holder in connection with the sale or other disposition of the ADSs or ordinary shares will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service, (the “IRS”), or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

## **U.S. Holders**

### *Taxation of Cash Distributions Paid on ADSs or Ordinary Shares*

Subject to the passive foreign investment company (“PFIC”) rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on the ADSs or ordinary shares. A cash distribution on the ADSs or ordinary shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The portion of such cash distribution, if any, in excess of such earnings and profits will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in the ADSs or ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ADSs or ordinary shares.

With respect to non-corporate U.S. Holders, any such cash dividends may be subject to U.S. federal income tax at the lower applicable regular long term capital gains tax rate (see “—Taxation on the Disposition of ADSs or Ordinary Shares” below) provided that (a) the ADSs or ordinary shares are readily tradable on an established securities market in the United States or, in the event we are deemed to be a PRC “resident enterprise” under the EIT Law, we are eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “U.S.-PRC Tax Treaty”), (b) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (c) certain holding period requirements are met. Therefore, if the ADSs or ordinary shares are not readily tradable on an established securities market in the United States, and we are not eligible for the benefits of the U.S. – PRC Tax Treaty, then cash dividends paid by us to non-corporate U.S. Holders will not be subject to U.S. federal income tax at the lower regular long term capital gains tax rate. Under published IRS authority, shares (including ADSs) are considered for purposes of clause (a) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NYSE American.

If a PRC income tax applies to any cash dividends paid to a U.S. Holder on the ADSs or ordinary shares, such tax may be treated as a foreign tax eligible for a deduction from such holder’s U.S. federal taxable income or a foreign tax credit against such holder’s U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such dividends, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

### *Taxation on the Disposition of ADSs or Ordinary Shares*

Upon a sale or other taxable disposition of the ADSs or ordinary shares, and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in the ADSs or ordinary shares.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long term capital gain or loss if the U.S. Holder's holding period for the ADSs or ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

If a PRC income tax applies to any gain from the disposition of the ADSs or ordinary shares by a U.S. Holder, such tax may be treated as a foreign tax eligible for a deduction from such holder's U.S. federal taxable income or a foreign tax credit against such holder's U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such PRC tax applies to any such gain, such U.S. Holder may be entitled to certain benefits under the U.S.-PRC Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-PRC Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

#### *Additional Taxes*

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from the sale or other taxable disposition of, the ADSs or ordinary shares, subject to certain limitations and exceptions. Under applicable regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the qualified electing fund ("QEF"), rules discussed below under "Passive Foreign Investment Company Rules," but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of the ADSs or ordinary shares.

#### *Passive Foreign Investment Company Rules*

A foreign (i.e., non-U.S.) corporation will be a PFIC if either (a) at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income, or (b) at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

Based on the expected composition (and estimated values) of the assets and the nature of the income of us and our subsidiaries, we do not expect to be treated as a PFIC for the current taxable year. However, our actual PFIC status for our current taxable year or any subsequent taxable year will not be determinable until after the end of such taxable year. Accordingly, there can be no assurance with respect to our status as a PFIC for our current taxable year or any subsequent taxable year.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of the ADSs or ordinary shares, and the U.S. Holder did not make a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) the ADSs or ordinary shares, a QEF election along with a purging election, or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its ADSs or ordinary shares; and
- any "excess distribution" made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ADSs or ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder's holding period for the ADSs or ordinary shares).

Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares;
- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution or to the period in the U.S. Holder's holding period before the first day of our first taxable year in which we qualified as a PFIC will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above with respect to the ADSs or ordinary shares by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder will be required to include in income its pro rata share of our net capital gains (as long term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends if we are treated as a PFIC for that taxable year. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election with respect to the ADSs or ordinary shares, and the special tax and interest charge rules do not apply to such ADSs or ordinary shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such ADSs or ordinary shares or a QEF election, along with a purge of the PFIC taint pursuant to a purging election, as described below), any gain recognized on the sale or other taxable disposition of such ADSs or ordinary shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF generally are currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder's ADSs or ordinary shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning ADSs or ordinary shares in a QEF.

Although a determination as to our PFIC status will be made annually, an initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held the ADSs or ordinary shares while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) the ADSs or ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above with respect to such ADSs or ordinary shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such ADSs or ordinary shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) the ADSs or ordinary shares, the PFIC rules discussed above will continue to apply to such ADSs or ordinary shares unless the holder files on a timely filed U.S. federal income tax return (including extensions) a QEF election and a "purging election" to recognize under the rules of Section 1291 of the Code any gain that it would otherwise recognize if the U.S. Holder sold the ADSs or ordinary shares for their fair market value on the "qualification" date. The qualification date is the first day of our tax year in which we qualify as a QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held the ADSs or ordinary shares on the qualification date. A purging election generally creates a deemed sale of such ADSs or ordinary shares at their fair market value. The gain recognized by the purging election generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder generally will increase the adjusted tax basis in its ADSs or ordinary shares by the amount of gain recognized and will also have a new holding period in its ADSs or ordinary shares for purposes of the PFIC rules.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns ADSs or ordinary shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such ADSs or ordinary shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) the ADSs or ordinary shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above with respect to its ADSs or ordinary shares as long as such ADSs or ordinary shares continue to be treated as marketable stock. Instead, in general, the U.S. Holder will include as ordinary income each year that we are treated as a PFIC the excess, if any, of the fair market value of its ADSs or ordinary shares at the end of its taxable year over the adjusted tax basis in its ADSs or ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its ADSs or ordinary shares over the fair market value of its ADSs or ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's adjusted tax basis in its ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the ADSs or ordinary shares in a taxable year in which we are treated as a PFIC will be treated as ordinary income. Special tax rules may also apply if a U.S. Holder makes a mark-to-market election for a taxable year after the first taxable year in which the U.S. Holder holds (or is deemed to hold) the ADSs or ordinary shares and for which we are treated as a PFIC.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including the NYSE American, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Commencing on June 1, 2018, our ADSs began trading on the NYSE American. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election with respect to the ADSs or ordinary shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of the ADSs or ordinary shares generally should be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC or that we will be able to cause the lower-tier PFIC to provide the required information. A mark-to-market election generally would not be available with respect to such a lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) ADSs or ordinary shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of the ADSs or ordinary shares should consult their own tax advisors concerning the application of the PFIC rules to the ADSs or ordinary shares under their particular circumstances.

#### **Non-U.S. Holders**

Cash dividends paid or deemed paid to a Non-U.S. Holder with respect to the ADSs or ordinary shares generally will not be subject to U.S. federal income tax unless such dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of the ADSs or ordinary shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Cash dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates as applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

## **Backup Withholding and Information Reporting**

In general, information reporting for U.S. federal income tax purposes should apply to cash distributions made on the ADSs or ordinary shares within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of the ADSs or ordinary shares by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its ADSs or ordinary shares and adjustments to that tax basis and whether any gain or loss with respect to such ADSs or ordinary shares is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in the ADSs or ordinary shares.

Moreover, backup withholding of U.S. federal income tax, at a current rate of 24%, generally will apply to cash dividends paid on the ADSs or ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of the ADSs or ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR CIRCUMSTANCES, AS WELL AS ANY ADDITIONAL TAX CONSEQUENCES RESULTING FROM AN INVESTMENT IN THE ADSs OR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION, INCLUDING ESTATE, GIFT AND INHERITANCE LAWS.

### **F. Dividends and Paying Agents**

Not applicable.

### **G. Statements by Experts**

Not applicable.

### **H. Documents on Display**

The documents concerning our company referred to in this document and required to be made available to the public are available at our principal executive offices located at 12th Floor, Tower 1, Financial Street, Chang'an Center, Shijingshan District, Beijing 100043, People's Republic of China.

In addition, we previously filed with the SEC our registration statement on Form F-1 (Registration No. 333-168096, as amended) and prospectus under the Securities Act of 1933, with respect to our ordinary shares. We have filed amended Form F-1 (Registration No. 333-220207, as amended) and prospectus. We have also filed with the SEC a related registration statement on F-6 (Registration No. 333-168238) to register the ADSs.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.



## I. Subsidiary Information

See “Item 4.C Information on the Company—Organizational Structure” for information about our subsidiaries.

### Item 11. Quantitative and Qualitative Disclosures About Market Risk

*Interest rate risk* . The primary objective of our investment activities is to preserve principal while maximizing the income we receive from our investments without significantly increasing the risk of loss. Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in available-for-sale investment, held-to-maturity investments with maturities of three months or less and term deposits with maturities of greater than three months and less than a year. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates. A hypothetical 1% decrease in interest rates would have resulted in a decrease of approximately RMB 1.2 million (US\$ 0.2 million) in our interest income for the year ended December 31, 2020.

At December 31, 2019 and 2020, we had RMB nil and RMB 19.6 million (US\$3.0 million), respectively, of borrowings outstanding. The interest rates on our borrowings are fixed as defined in respective loan agreements. A hypothetical 10% increase in interest rates in 2020 would have resulted in an increase of approximately RMB 1.0 million (US\$ 0.1 million) in our interest expense for 2020.

*Foreign exchange risk* . Substantially most of our revenues and most of our expenses are denominated in RMB. Our exposure to foreign exchange risk primarily relates to cash and cash equivalents denominated in U.S. dollars and Taiwan dollars as a result of investment fund. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Although in general, our exposure to foreign exchange risks should be limited, the value of an investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars/Taiwan dollars and RMB because the value of our business is effectively denominated in RMB, while the ADSs are traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China’s political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars and Taiwan dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an approximately 21.3% appreciation of the RMB against the U.S. dollar between July 21, 2005 and December 31, 2009. In June 2010, the PBOC announced it has decided to proceed further with reform of the RMB exchange regime and to enhance the RMB exchange rate flexibility. From 2010 to 2020, the appreciation of the RMB against the U.S. dollar reached 4.5% in total. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar and Taiwan dollars. To the extent that we need to convert U.S. dollar or Taiwan dollars denominated financial assets into RMB for our operations, appreciation of the RMB against the U.S. dollar and Taiwan dollars would have an adverse effect on the RMB amount we receive from the conversion. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk. A hypothetical 10% appreciation of the RMB against the U.S. dollar would have resulted in a decrease of approximately RMB 6.7 million (US\$ 1.0 million) in the value of our U.S. denominated cash and cash equivalents as of December 31, 2020. A hypothetical 10% appreciation of the RMB against the Taiwan dollars would have resulted in a decrease of approximately RMB 0.3 million (US\$ 0.05 million) in the value of our TWD denominated cash and cash equivalents as of December 31, 2020.

### Item 12. Description of Securities Other Than Equity Securities

#### A. Debt Securities

Not applicable.

#### B. Warrants and Rights

Not applicable.

#### C. Other Securities

Not applicable.

## D. American Depositary Shares

### *Fees and Charges Our ADS Holders May Have to Pay*

Our ADS holders will be required to pay the following service fees to the depositary bank for our ADSs:

<u>Service</u>	<u>Fees</u>
Issuance of ADSs	up to U.S. 5¢ per ADS issued
Cancellation of ADSs	up to U.S. 5¢ per ADS canceled
Distribution of cash dividends or other cash distributions	up to U.S. 5¢ per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights	up to U.S. 5¢ per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	up to U.S. 5¢ per ADS held
Depositary Services	up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary

An ADS holder you will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares);
- Expenses incurred for converting foreign currency into U.S. dollars;
- Expenses for cable, telex and fax transmissions and for delivery of securities;
- Taxes and duties upon the transfer of securities (i.e., when ordinary shares are deposited or withdrawn from deposit); and
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositaries.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

### *Fees and Payments from the Depositary to Us*

The depositary has agreed to reimburse us for certain expenses incurred by us in respect of our ADR program and investor relations program. For the year ended December 31, 2020, we have received US\$ 112,390, net of applicable taxes, from Citibank, the depositary bank for our ADR program.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

### Item 15. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer has concluded, as of December 31, 2020, that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management or our board of directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our interim or annual consolidated financial statements.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting using the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management has concluded that the internal control over financial reporting was effective as of December 31, 2020.

#### Attestation Report of the Registered Public Accounting Firm

Not applicable.

#### Changes in Internal Control over Financial Reporting

There were no significant changes in our internal controls over financial reporting in connection with the evaluation required by Rules 13a-15 or 15d-15 that occurred during the period covered by this annual report that have materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

### Item 16A Audit Committee Financial Expert

Our board of directors has determined that Yanhui Ma, an independent director (using the standards set forth in Section 303A of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act) is our audit committee financial expert.

**Item 16B Code of Ethics**

Our Code of Conduct and Ethics, or Code, summarizes the ethical standards and key policies that guide our business conduct and applies to our directors, executive officers and employees. The purpose of the Code is to promote ethical conduct and deter wrongdoing. The policies outlined in the Code are designed to ensure that our directors, executive officers and employees act in accordance with not only the letter but also the spirit of the laws and regulations that apply to our business. We expect our directors, executive officers and employees to exercise good judgment, to uphold these standards in their day-to-day activities, and to comply with all applicable policies and procedures in the course of their relationship with the company. A copy of our Code is posted on our website at [ir.ambow.com](http://ir.ambow.com).

**Item 16C Principal Accountant Fees and Services**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Marcum Bernstein & Pinchuk LLP our independent registered public accounting firm for 2019 and 2020. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(U.S. dollars in millions)</b>	
Audit fees	0.5	0.6

“Audit fees” means the aggregated fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements and the review of our comparative interim financial statements.

The policy of our audit committee is to pre-approve all audit services provided by Marcum Bernstein & Pinchuk LLP, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

**Item 16D Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

**Item 16F Change in Registrant’s Certifying Accountant**

None.

**Item 16G Corporate Governance**

As a foreign private issuer, we are permitted to follow corporate governance practices in accordance with Cayman Islands law in lieu of most of the corporate governance rules set forth by national securities exchange, such as the NYSE. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on a national securities exchange. As a Cayman Islands exempted company, Ambow Education Holding Ltd. is not required to have a separate nominating committee of the Board. The full Board of Directors will perform the functions performed by such committee. This is the only practice required to be followed by U.S. companies listed on a national securities exchange that we are not following.

**Item 16H Mine Safety Disclosure**

Not applicable.

## PART III

### Item 17. Financial Statements

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

### Item 18. Financial Statements

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

### Item 19. Exhibits

Exhibit No.	Description
<a href="#">1.1</a>	<a href="#">Sixth Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 99.1 of our 6-K filed with the Commission on June 4, 2015)</a>
<a href="#">2.1</a>	<a href="#">Specimen American Depositary Receipt (incorporated by reference to Exhibit (a) of our F-6 registration statement (File No. 333-168238), initially filed with the Commission on July 21, 2010 (the “F-6 Registration Statement”))</a>
<a href="#">2.2</a>	<a href="#">Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 of the F-1 Registration Statement)</a>
<a href="#">2.3</a>	<a href="#">Form of Deposit Agreement among the company, the depository and holders of the American Depositary Receipts (incorporated by reference to Exhibit (a) of the F-6 Registration Statement)</a>
<a href="#">2.4</a>	<a href="#">Third Amended and Restated Investor Rights Agreement, among the company and the other parties therein (incorporated by reference to Exhibit 4.4 of our registration statement (File No. 333-168096), as amended, initially filed with the Commission on July 14, 2010 (the “F-1 Registration Statement”))</a>
<a href="#">4.1</a>	<a href="#">Form of Indemnification Agreement with the company’s directors and executive officers (incorporated by reference to Exhibit 10.3 of the F-1 Registration Statement)</a>
<a href="#">4.2</a>	<a href="#">English Translation of Technology Service Agreement between Beijing Ambow Shengying Education and Technology Co., Ltd. and Ambow Rongye Education and Technology Co., Ltd., dated September 8, 2015</a>
<a href="#">4.3</a>	<a href="#">English Translation of Share Pledge Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated September 8, 2015</a>
<a href="#">4.4</a>	<a href="#">English Translation of Call Option Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated September 8, 2015</a>
<a href="#">4.5</a>	<a href="#">English Translation of Powers of Attorney, each dated September 8, 2015</a>
<a href="#">4.6</a>	<a href="#">English Translation of Loan Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated September 8, 2015</a>
<a href="#">4.7</a>	<a href="#">English Translation of Technology Service Agreement between Beijing Ambow Shengying Education and Technology Co., Ltd. and Ambow Zhixin Education and Technology Co., Ltd., dated October 14, 2015</a>
<a href="#">4.8</a>	<a href="#">English Translation of Share Pledge Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated October 14, 2015</a>
<a href="#">4.9</a>	<a href="#">English Translation of Call Option Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated October 14, 2015</a>
<a href="#">4.10</a>	<a href="#">English Translation of Powers of Attorney, each dated October 14, 2015</a>
<a href="#">4.11</a>	<a href="#">English Translation of Loan Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated October 14, 2015</a>
<a href="#">4.12</a>	<a href="#">English Translation of Technology Service Agreement between Beijing Ambow Shengying Education and Technology Co., Ltd. and Shanghai Ambow Education Information Consulting Co., Ltd., dated June 29, 2017 (incorporated by reference to Exhibit 10.52 of the F-1 with filing date at August 28, 2017)</a>
<a href="#">4.13</a>	<a href="#">English Translation of Share Pledge Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated June 29, 2017 (incorporated by reference to Exhibit 10.53 of the F-1 with filing date at August 28, 2017)</a>
<a href="#">4.14</a>	<a href="#">English Translation of Call Option Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated June 29, 2017 (incorporated by reference to Exhibit 10.54 of the F-1 with filing date at August 28, 2017)</a>
<a href="#">4.15</a>	<a href="#">English Translation of Powers of Attorney, each dated June 29, 2017 (incorporated by reference to Exhibit 10.55 of the F-1 with filing date at August 28, 2017)</a>
<a href="#">4.16</a>	<a href="#">English Translation of Loan Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated June 29, 2017 (incorporated by reference to Exhibit 10.56 of the F-1 with filing date at August 28, 2017)</a>
<a href="#">4.17</a>	<a href="#">English Translation of Technology Service Agreement between Beijing Ambow Shengying Education and Technology Co., Ltd. and Ambow Sihua Education and Technology Co., Ltd., dated June 29, 2017 (incorporated by reference to Exhibit 10.57 of the F-1 with filing date at August 28, 2017)</a>

- [4.18 English Translation of Share Pledge Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated June 29, 2017 \(incorporated by reference to Exhibit 10.58 of the F-1 with filing date at August 28, 2017\)](#)
- [4.19 English Translation of Call Option Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated June 29, 2017 \(incorporated by reference to Exhibit 10.59 of the F-1 with filing date at August 28, 2017\)](#)
- [4.20 English Translation of Powers of Attorney, each dated June 29, 2017 \(incorporated by reference to Exhibit 10.60 of the F-1 with filing date at August 28, 2017\)](#)
- [4.21 English Translation of Loan Agreement by and among Beijing Ambow Shengying Education and Technology Co., Ltd., Xuejun Xie and Gang Huang, dated June 29, 2017 \(incorporated by reference to Exhibit 10.61 of the F-1 with filing date at August 28, 2017\)](#)
- [4.22 English Translation of Technology Service Agreement between Beijing Ambow Chuangying Education and Technology Co., Ltd. and Beijing Ambow Shida Education Technology Co., Ltd., dated June 29, 2017 \(incorporated by reference to Exhibit 10.62 of the F-1 with filing date at August 28, 2017\)](#)
- [4.23 English Translation of Share Pledge Agreement by and among Beijing Ambow Chuangying Education and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 29, 2017 \(incorporated by reference to Exhibit 10.63 of the F-1 with filing date at August 28, 2017\)](#)
- [4.24 English Translation of Call Option Agreement by and among Beijing Ambow Chuangying Education and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 29, 2017 \(incorporated by reference to Exhibit 10.64 of the F-1 with filing date at August 28, 2017\)](#)
- [4.25 English Translation of Powers of Attorney, each dated June 29, 2017 \(incorporated by reference to Exhibit 10.65 of the F-1 with filing date at August 28, 2017\)](#)
- [4.26 English Translation of Loan Agreement by and among Beijing Ambow Chuangying Education and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 29, 2017 \(incorporated by reference to Exhibit 10.66 of the F-1 with filing date at August 28, 2017\)](#)
- [4.27 English Translation of First Technology Service Agreement between Ambow Education Management \(Hong Kong\) Ltd. and IValley Co., Ltd. dated March 20, 2017 \(incorporated by reference to Exhibit 10.67 of the F-1/A with filing date at January 5, 2018\)](#)
- [4.28 English Translation of First Share Pledge Agreement by and among Ambow Education Management \(Hong Kong\) Ltd., Chiao-Ling Hsu and Shu Hui Cai, dated March 20, 2017 \(incorporated by reference to Exhibit 10.68 of the F-1/A with filing date at January 5, 2018\)](#)
- [4.29 English Translation of First Call Option Agreement by and among Ambow Education Management \(Hong Kong\) Ltd., Chiao-Ling Hsu and Shu Hui Cai, dated March 20, 2017 \(incorporated by reference to Exhibit 10.69 of the F-1/A with filing date at January 5, 2018\)](#)
- [4.30 English Translation of First Powers of Attorney, each dated March 20, 2017 \(incorporated by reference to Exhibit 10.70 of the F-1/A with filing date at January 5, 2018\)](#)
- [4.31 English Translation of First Loan Agreement by and among Ambow Education Management \(Hong Kong\) Ltd., Chiao-Ling Hsu and Shu Hui Cai, dated February 10, 2017 \(incorporated by reference to Exhibit 10.71 of the F-1/A with filing date at January 5, 2018\)](#)
- [4.32 English Translation of Second Technology Service Agreement between Ambow Education Management \(Hong Kong\) Ltd. and IValley Co., Ltd. dated November 27, 2017 \(incorporated by reference to Exhibit 4.81 of the 20-F with filing date at April 5, 2019\)](#)
- [4.33 English Translation of Second Share Pledge Agreement by and among Ambow Education Management \(Hong Kong\) Ltd., Chiao-Ling Hsu and Shu Hui Cai, dated November 27, 2017 \(incorporated by reference to Exhibit 4.82 of the 20-F with filing date at April 5, 2019\)](#)
- [4.34 English Translation of Second Call Option Agreement by and among Ambow Education Management \(Hong Kong\) Ltd., Chiao-Ling Hsu and Shu Hui Cai, dated November 27, 2017 \(incorporated by reference to Exhibit 4.83 of the 20-F with filing date at April 5, 2019\)](#)
- [4.35 English Translation of Second Powers of Attorney, each dated November 27, 2017 \(incorporated by reference to Exhibit 4.84 of the 20-F with filing date at April 5, 2019\)](#)
- [4.36 English Translation of Second Loan Agreement by and among Ambow Education Management \(Hong Kong\) Ltd., Chiao-Ling Hsu and Shu Hui Cai, dated July 28, 2017 \(incorporated by reference to Exhibit 4.85 of the 20-F with filing date at April 5, 2019\)](#)
- [4.37 Amended 2010 plan \(incorporated by reference to Exhibit 99.1 of our 6-K filed with the Commission on November 14, 2018\)](#)
- [4.38 English Translation of Termination Agreement Between Beijing Ambow Chuangying Education and Technology Co., Ltd. and Beijing Ambow Shida Education Technology Co., Ltd., dated June 14, 2020\\*](#)
- [4.39 English Translation of Termination Agreement Between Beijing Ambow Chuangying Education and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 14, 2020\\*](#)

- [4.40](#) [English Translation of Technology Service Agreement between Beijing BoheLe Science and Technology Co., Ltd., and Beijing Ambow Shida Education Technology Co., Ltd., dated June 15, 2020\\*](#)
- [4.41](#) [English Translation of Share Pledge Agreement by and among Beijing BoheLe Science and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 15, 2020\\*](#)
- [4.42](#) [English Translation of Call Option Agreement by and among Beijing BoheLe Science and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 15, 2020\\*](#)
- [4.43](#) [English Translation of Powers of Attorney, each dated June 15, 2020\\*](#)
- [4.44](#) [English Translation of Loan Agreement by and among Beijing BoheLe Science and Technology Co., Ltd., Xuejun Xie and Jianguo Xue, dated June 15, 2020\\*](#)
- [4.45](#) [English Translation of Technology Service Agreement between Beijing BoheLe Science and Technology Co., Ltd. and Beijing Le'An Operational Management Co., Ltd., dated May 25, 2020\\*](#)
- [4.46](#) [English Translation of Share Pledge Agreement by and among Beijing BoheLe Science and Technology Co., Ltd., Yuan Hao and Yue Liu, dated May 25, 2020\\*](#)
- [4.47](#) [English Translation of Call Option Agreement by and among Beijing BoheLe Science and Technology Co., Ltd., Yuan Hao and Yue Liu, dated May 25, 2020\\*](#)
- [4.48](#) [English Translation of Powers of Attorney, each dated May 25, 2020\\*](#)
- [4.49](#) [English Translation of Loan Agreement by and among Beijing BoheLe Science and Technology Co., Ltd., Yuan Hao and Yue Liu, dated May 25, 2020\\*](#)
- [8.1](#) [List of Subsidiaries and Consolidated Affiliated Entities\\*](#)
- [12.1](#) [Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)
- [12.2](#) [Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)
- [13.1](#) [Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*](#)
- [13.2](#) [Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*](#)
- 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\*

\* Filed with this annual report on Form 20-F.

**SIGNATURE**

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

AMBOW EDUCATION HOLDING LTD.  
(Registrant)

By: /s/ Jin Huang

Dr. Jin Huang  
President and Chief Executive Officer

By: /s/ Kia Jing Tan

Kia Jing Tan  
Chief Financial Officer

Date: April 8, 2021



AMBOW EDUCATION HOLDING LTD.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
of Ambow Education Holding Ltd.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Ambow Education Holding Ltd. and Subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operation and comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Impairment Assessment on Goodwill and Other Intangible Assets***

##### *Critical Audit Matter Description*

As described in Note 9 and Note 10 to the consolidated financial statements, the Company performed impairment analysis on the goodwill and intangible assets, and recognized an impairment loss of RMB 35.3 million for goodwill and RMB1.4 million for intangible assets respectively, during the year ended December 31, 2020.

The Company's impairment analysis involved a high degree of subjectivity, including the projection of future cash flows. The significant assumptions used in calculating projected future cash flows include revenue growth rates, operating margins and discount rate.

Auditing the Company's impairment analysis was complex due to the significant uncertainty of estimates and judgements in forecasting the future cash flows. Future changes in the estimates and judgments could result in a significantly different estimate of the fair value of the reporting units and the intangible assets, and could result in additional impairment.

##### *How We Addressed the Matter in Our Audit*

Our principal audit procedures included, among others:

- testing the completeness, accuracy, and relevance of underlying data used in the future cash flows;
- corroborating the significant assumptions, including revenue growth rates, operating margins and discount rate, based on historical data and future pipeline evidence;
- Involving our internal valuation specialists to assist in evaluating the valuation methodologies and significant assumptions used by the Company in the impairment analysis.

#### ***Going Concern Assessment***

##### *Critical Audit Matter Description*

For the year ended December 31, 2020, the Company had a net loss of RMB 64 million, and as of December 31, 2020, the Company's consolidated current liabilities exceeded its consolidated current assets by RMB 219 million. Based on the Company's evaluation on its ability to continue as a going concern, the Company believes that available cash and cash equivalents, short term investments, available for sale and short term investments, held to maturity, cash provided by operating activities, together with cash available from the activities mentioned in Note 2 to the consolidated financial statements, should enable

the Company to meet presently anticipated cash needs for at least the next 12 months after the date that the financial statements are issued and the Company has prepared the consolidated financial statements on a going concern basis.

Auditing the Company's going concern assessment was complex as it involved significant judgment by management when preparing the business plan with projected future cash flows and its ability to access funding included in the going concern assessment, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the relevant audit evidence.

*How We Addressed the Matter in Our Audit*

Our principal audit procedures included, among others:

- evaluating the Company's plans that will enable it to manage the payment schedule and reduce operating expenditures if required;
- evaluating the going concern assessment methodology, testing significant assumptions and underlying data used in the projected future cash flows;
- assessing the adequacy of the Company's going concern disclosures included in Note 2 to the consolidated financial statements.

/s/ Marcum Bernstein & Pinchuk LLP

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Marcum Bernstein & Pinchuk LLP

We have served as the Company's auditor since 2013.

Beijing, China

April 8, 2021

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(All amounts in thousands, except for share and per share data)

	Note	As of December 31,		
		2019 RMB	2020 RMB	2020 US\$ Note 3(a)
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	4	157,600	118,821	18,210
Restricted cash	4	-	824	126
Short term investments, available for sale	5	57,487	117,854	18,062
Short term investments, held to maturity	5	31,000	45,000	6,897
Accounts receivable, net	6	17,939	20,972	3,214
Amounts due from related parties	24	2,318	3,024	463
Prepaid and other current assets, net	7	133,296	117,634	18,028
Total current assets		399,640	424,129	65,000
<b>Non-current assets:</b>				
Property and equipment, net	8	157,463	144,492	22,144
Land use rights, net		1,759	1,715	263
Intangible assets, net	9	56,607	54,808	8,400
Goodwill	10	60,353	25,710	3,940
Deferred tax assets, net	17	10,195	6,338	971
Operating lease right-of-use asset	19	257,361	247,608	37,948
Finance lease right-of-use asset	19	6,450	5,850	897
Other non-current assets, net	11	70,971	139,067	21,313
Total non-current assets		621,159	625,588	95,876
<b>Total assets</b>		<b>1,020,799</b>	<b>1,049,717</b>	<b>160,876</b>

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(All amounts in thousands, except for share and per share data)

	Note	As of December 31,		
		2019 RMB	2020 RMB	2020 US\$ Note 3(a)
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Short-term borrowing (including consolidated VIE amount without recourse to the Company of RMB nil and RMB 10,000 as of December 31, 2019 and 2020, respectively)	12	-	10,000	1,533
Deferred revenue (including consolidated VIE amount without recourse to the Company of RMB 157,663 and RMB 158,735 as of December 31, 2019 and 2020, respectively)		165,111	163,699	25,088
Accounts payable (including consolidated VIE amount without recourse to the Company of RMB 8,686 and RMB 10,682 as of December 31, 2019 and 2020, respectively)		14,718	19,423	2,976
Accrued and other liabilities (including consolidated VIE amount without recourse to the Company of RMB 149,197 and RMB 165,706 as of December 31, 2019 and 2020, respectively)	13	192,957	209,590	32,121
Income taxes payable, current (including consolidated VIE amount without recourse to the Company of RMB 180,472 and RMB 180,070 as of December 31, 2019 and 2020, respectively)		180,715	184,638	28,297
Amounts due to related parties (including consolidated VIE amount without recourse to the Company of RMB 1,971 and RMB 2,543 as of December 31, 2019 and 2020, respectively)	24	1,971	2,543	390
Operating lease liability, current (including consolidated VIE amount without recourse to the Company of RMB 29,341 and RMB 27,962 as of December 31, 2019 and 2020, respectively)	19	53,512	53,702	8,230
Total current liabilities		608,984	643,595	98,635
<b>Non-current liabilities:</b>				
Long-term borrowing (including consolidated VIE amount without recourse to the Company of RMB nil and RMB nil as of December 31, 2019 and 2020, respectively)	14	-	9,594	1,470
Other non-current liabilities (including consolidated VIE amount without recourse to the Company of RMB nil and RMB 188 as of December 31, 2019 and 2020, respectively)		-	292	45
Income taxes payable, non-current (including consolidated VIE amount without recourse to the Company of RMB 32,152 and RMB 34,763 as of December 31, 2019 and 2020, respectively)	17	32,152	34,763	5,328
Operating lease liability, non-current (including consolidated VIE amount without recourse to the Company of RMB 88,293 and RMB 74,725 as of December 31, 2019 and 2020, respectively)	19	216,067	220,319	33,765
Total non-current liabilities		248,219	264,968	40,608
<b>Total liabilities</b>		<b>857,203</b>	<b>908,563</b>	<b>139,243</b>

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(All amounts in thousands, except for share and per share data)

	Note	As of December 31,		
		2019 RMB	2020 RMB	2020 US\$ Note 3(a)
<b>Commitments and contingencies</b>	20			
<b>EQUITY</b>				
<b>Preferred shares</b>				
(US\$ 0.003 par value; 1,666,667 shares authorized, nil issued and outstanding as of December 31, 2019 and 2020)		-	-	-
<b>Class A Ordinary shares</b>				
(US\$ 0.003 par value; 66,666,667 and 66,666,667 shares authorized; 38,858,199 and 41,923,276 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	15	730	794	122
<b>Class C Ordinary shares</b>				
(US\$ 0.003 par value; 8,333,333 and 8,333,333 shares authorized; 4,708,415 and 4,708,415 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	15	90	90	14
Additional paid-in capital		3,508,745	3,545,073	543,306
Statutory reserve	22	20,185	4,210	645
Accumulated deficit		(3,371,815)	(3,419,146)	(524,007)
Accumulated other comprehensive income		6,341	12,101	1,855
<b>Total Ambow Education Holding Ltd.'s equity</b>		<u>164,276</u>	<u>143,122</u>	<u>21,935</u>
Non-controlling interests	28	(680)	(1,968)	(302)
<b>Total equity</b>		<u>163,596</u>	<u>141,154</u>	<u>21,633</u>
<b>Total liabilities and equity</b>		<u>1,020,799</u>	<u>1,049,717</u>	<u>160,876</u>

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(All amounts in thousands, except for share and per share data)

	Note	Years ended December 31,			
		2018 RMB	2019 RMB	2020 RMB	2020 US\$
<b>NET REVENUES</b>					
- Educational program and services	21	525,134	582,706	525,727	80,571
- Intellectualized operational services	21	6,374	1,203	6,253	958
Total net revenues		531,508	583,909	531,980	81,529
<b>COST OF REVENUES</b>					
- Educational program and services	21	(331,939)	(383,635)	(379,571)	(58,172)
- Intellectualized operational services	21	(6,204)	(5,259)	(7,919)	(1,214)
Total cost of revenues		(338,143)	(388,894)	(387,490)	(59,386)
<b>GROSS PROFIT</b>		193,365	195,015	144,490	22,143
<b>OPERATING EXPENSES</b>					
Selling and marketing		(43,751)	(55,721)	(52,355)	(8,024)
General and administrative		(132,718)	(194,417)	(174,283)	(26,710)
Research and development		(1,513)	(3,793)	(5,703)	(874)
Impairment loss	9,10	-	(38,754)	(36,699)	(5,624)
Total operating expenses		(177,982)	(292,685)	(269,040)	(41,232)
<b>OPERATING INCOME (LOSS)</b>		15,383	(97,670)	(124,550)	(19,089)
<b>OTHER INCOME (EXPENSE)</b>					
Interest income, net	5,12,14	6,652	5,379	9,501	1,456
Foreign exchange gain, net		372	23	980	150
Other income (loss), net		1,447	396	(1,244)	(191)
Gain from derecognition of liabilities	25	15,226	-	3,926	602
Gain on disposal of subsidiaries	26	-	-	752	115
Gain from deregistration of subsidiaries	27	2,858	1,841	3,967	608
Gain on the bargain purchase	23	-	-	40,273	6,172
Gain from fair value change of contingent consideration payable	29	5,444	1,322	-	-
Gain on sale of investment available for sale	5	1,056	1,200	3,476	533
Total other income		33,055	10,161	61,631	9,445
<b>INCOME (LOSS) BEFORE INCOME TAX AND NON-CONTROLLING INTERESTS</b>					
Income tax expense	17	(3,498)	(12,917)	(1,062)	(163)
<b>NET INCOME (LOSS)</b>		44,940	(100,426)	(63,981)	(9,807)
Less: Net loss attributable to non-controlling interests		(50)	(485)	(1,269)	(194)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO AMBOW EDUCATION HOLDING LTD.</b>		44,990	(99,941)	(62,712)	(9,613)
<b>NET INCOME (LOSS)</b>		44,940	(100,426)	(63,981)	(9,807)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>					
Foreign translation adjustments		1,304	(2,924)	6,234	955
Unrealized gains on short term investments					
Unrealized holding gains arising during period		776	2,046	2,458	377
Less: reclassification adjustment for gains included in net income		651	1,086	2,932	449
Other comprehensive income (loss)		1,429	(1,964)	5,760	883
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		46,369	(102,390)	(58,221)	(8,924)
Net income (loss) per share-basic		1.09	(2.30)	(1.41)	(0.22)
Net income (loss) per share-diluted	18	1.08	(2.30)	(1.41)	(0.22)
Weighted average shares used in calculating basic net income (loss) per share	18	41,342,597	43,505,175	44,372,326	44,372,326

Weighted average shares used in calculating diluted net income (loss) per share	18	41,671,763	43,505,175	44,372,326	44,372,326
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Share-based compensation expense included in:

- Selling and marketing	-	-	-	-	-
- General and administrative	8,121	1,624	947	145	
- Research and development	-	-	-	-	-

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



**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(All amounts in thousands, except for share and per share data)

	Note	Attributable to Ambow Education Holding Ltd.'s Equity								Non-controlling Interest	Total Equity
		Class A Ordinary shares (Note 15)		Class C Ordinary shares (Note 15)		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income		
		Shares	Amount RMB	Shares	Amount RMB						
<b>Balance as of January 1, 2018</b>		<b>34,206,939</b>	<b>640</b>	<b>4,708,415</b>	<b>90</b>	<b>3,456,307</b>	<b>20,036</b>	<b>(3,316,715)</b>	<b>6,876</b>	<b>(1,275)</b>	<b>165,959</b>
Share-based compensation	16	-	-	-	-	8,121	-	-	-	-	8,121
Issuance of ordinary shares for restricted stock award	16	409,350	8	-	-	(8)	-	-	-	-	-
Issuance of ordinary shares on IPO	15	4,140,000	80	-	-	45,322	-	-	-	-	45,402
Foreign currency translation adjustment		-	-	-	-	-	-	-	1,304	-	1,304
Appropriation to statutory reserves	22	-	-	-	-	-	113	(113)	-	-	-
Unrealized gain on investment, net of income taxes	5	-	-	-	-	-	-	-	125	-	125
Buy-outs of non-controlling interests	28	-	-	-	-	(2,619)	-	-	-	(1,885)	(4,504)
Deregistration of subsidiaries		-	-	-	-	-	-	-	-	(46)	(46)
Capital injection from minority shareholders	28	-	-	-	-	-	-	-	-	1,470	1,470
Net income (loss)		-	-	-	-	-	-	44,990	-	(50)	44,940
<b>Balance as of December 31, 2018</b>		<b>38,756,289</b>	<b>728</b>	<b>4,708,415</b>	<b>90</b>	<b>3,507,123</b>	<b>20,149</b>	<b>(3,271,838)</b>	<b>8,305</b>	<b>(1,786)</b>	<b>262,771</b>

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

(All amounts in thousands, except for share and per share data)

	Note	Attributable to Ambow Education Holding Ltd.'s Equity								Non-controlling Interest	Total Equity
		Class A Ordinary shares (Note 15)		Class C Ordinary shares (Note 15)		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income		
		Shares	Amount RMB	Shares	Amount RMB						
<b>Balance as of January 1, 2019</b>		<b>38,756,289</b>	<b>728</b>	<b>4,708,415</b>	<b>90</b>	<b>3,507,123</b>	<b>20,149</b>	<b>(3,271,838)</b>	<b>8,305</b>	<b>(1,786)</b>	<b>262,771</b>
Share-based compensation	16	-	-	-	-	1,624	-	-	-	-	1,624
Issuance of ordinary shares for restricted stock award	16	101,910	2	-	-	(2)	-	-	-	-	-
Foreign currency translation adjustment		-	-	-	-	-	-	-	(2,924)	-	(2,924)
Appropriation to statutory reserves	22	-	-	-	-	-	36	(36)	-	-	-
Unrealized gain on investment, net of income taxes	5	-	-	-	-	-	-	-	960	-	960
Non-controlling interests from new subsidiaries	28	-	-	-	-	-	-	-	-	1,285	1,285
Deregistration of subsidiaries	27	-	-	-	-	-	-	-	-	306	306
Net loss		-	-	-	-	-	-	(99,941)	-	(485)	(100,426)
<b>Balance as of December 31, 2019</b>		<b>38,858,199</b>	<b>730</b>	<b>4,708,415</b>	<b>90</b>	<b>3,508,745</b>	<b>20,185</b>	<b>(3,371,815)</b>	<b>6,341</b>	<b>(680)</b>	<b>163,596</b>

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

(All amounts in thousands, except for share and per share data)

	Note	Attributable to Ambow Education Holding Ltd.'s Equity								Non-controlling Interest	Total Equity
		Class A Ordinary shares		Class C Ordinary shares		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income		
		Shares	Amount RMB	Shares	Amount RMB						
<b>Balance as of January 1, 2020</b>		<b>38,858,199</b>	<b>730</b>	<b>4,708,415</b>	<b>90</b>	<b>3,508,745</b>	<b>20,185</b>	<b>(3,371,815)</b>	<b>6,341</b>	<b>(680)</b>	<b>163,596</b>
Share-based compensation	16	-	-	-	-	947	-	-	-	-	947
Issuance of ordinary shares for restricted stock award	16	50,001	1	-	-	(1)	-	-	-	-	-
Issuance of ordinary shares in a registered direct offering	15	3,015,076	63	-	-	35,515	-	-	-	-	35,578
Foreign currency translation adjustment		-	-	-	-	-	-	-	6,234	-	6,234
Unrealized gain on investment, net of income taxes	5	-	-	-	-	-	-	-	(474)	-	(474)
Deregistration of subsidiaries	27	-	-	-	-	-	(15,473)	15,473	-	(19)	(19)
Disposal of subsidiaries	26	-	-	-	-	(133)	(502)	502	-	-	(133)
Impact on adoption of ASC 326	3	-	-	-	-	-	-	(594)	-	-	(594)
Net loss		-	-	-	-	-	-	(62,712)	-	(1,269)	(63,981)
<b>Balance as of December 31, 2020</b>		<b>41,923,276</b>	<b>794</b>	<b>4,708,415</b>	<b>90</b>	<b>3,545,073</b>	<b>4,210</b>	<b>(3,419,146)</b>	<b>12,101</b>	<b>(1,968)</b>	<b>141,154</b>

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All amounts in thousands, except for share and per share data)**

	Years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
				Note 3(a)
<b>Cash flows from operating activities</b>				
Net income/(loss)	44,940	(100,426)	(63,981)	(9,807)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:				
Depreciation and amortization	26,329	26,801	31,565	4,838
Amortization of operating lease right-of-use asset	-	30,559	36,684	5,622
Share-based compensation expense	8,121	1,624	947	145
Bad debt provision	5,645	5,985	8,903	1,364
Foreign exchange gain, net	(372)	(23)	(980)	(150)
Impairment loss	-	38,754	36,699	5,624
Deferred income tax	(2,212)	6,714	(4,853)	(744)
Gain on disposal of subsidiaries	-	-	(752)	(115)
Gain from deregistration of subsidiaries	(2,858)	(1,841)	(3,967)	(608)
Gain from derecognition of liabilities	(15,226)	-	(3,926)	(602)
Disposal loss from property and equipment	105	1,227	474	73
Loss from equity method investment	908	518	155	24
Gain from bargain purchase	-	-	(40,273)	(6,172)
Gain from fair value change of contingent consideration payable	(5,444)	(1,322)	-	-
Changes in operating assets and liabilities:				
Accounts receivable	1,762	(3,027)	(3,868)	(593)
Prepaid and other current assets	(6,844)	6,651	12,495	1,915
Amounts due from related parties	(1,105)	(1,213)	(706)	(108)
Other non-current assets	(3,154)	(13,539)	(150)	(23)
Accounts payable	(7,895)	1,135	4,860	745
Accrued and other liabilities	(29,396)	(38,312)	19,772	3,031
Income tax payable	5,153	5,753	2,170	333
Deferred revenue	9,681	13,079	(5,431)	(832)
Amounts due to related parties	(734)	(725)	572	88
Operating lease liabilities	-	12,397	(21,889)	(3,355)
Other non-current liabilities	(1,959)	(979)	292	45
Net cash provided by/(used in) operating activities	25,445	(10,210)	4,812	738
<b>Cash flows from investing activities</b>				
Purchase of available-for-sale investments	(222,000)	(219,000)	(345,000)	(52,874)
Proceeds from available-for-sale investments	303,000	210,000	284,000	43,525
Purchase of held-to-maturity investments	(671,000)	(387,000)	(130,000)	(19,923)
Maturity and proceeds from held-to-maturity investments	694,000	426,000	116,000	17,778
Purchase of property and equipment	(8,755)	(8,704)	(2,894)	(444)
Prepayment for leasehold improvement	(9,877)	(8,059)	(7,914)	(1,213)
Purchase of intangible assets	(295)	(156)	(52)	(8)
Purchase of subsidiaries, net of cash acquired	-	-	37,622	5,766
Purchase of other non-current assets	(1,590)	(54,142)	(16,660)	(2,553)
Proceed from disposal of subsidiaries, net of cash balance at disposed entities	(3)	(237)	(15)	(2)
Payment as result of disposal of subsidiaries	(112,000)	(25,532)	-	-

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(All amounts in thousands, except for share and per share data)

	Years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
				Note 3(a)
Collection of loan receivables	-	42,677	-	-
Loan to third party	-	(25,000)	(33,600)	(5,149)
Collection of loan to third party	-	16,000	-	-
Net cash used in investing activities	<u>(28,520)</u>	<u>(33,153)</u>	<u>(98,513)</u>	<u>(15,097)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares, net of expenses	45,402	-	35,578	5,453
Proceeds from minority shareholder capital injection	1,470	559	-	-
Proceeds from short-term borrowing	-	-	10,000	1,533
Proceeds from long-term borrowing	-	-	9,594	1,470
Repayments of borrowing from third party	-	(41,179)	-	-
Net cash provided by (used in) financing activities	<u>46,872</u>	<u>(40,620)</u>	<u>55,172</u>	<u>8,456</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash	<u>58</u>	<u>75</u>	<u>574</u>	<u>88</u>
Net change in cash, cash equivalents and restricted cash	43,855	(83,908)	(37,955)	(5,815)
Cash, cash equivalents and restricted cash at beginning of year	<u>197,653</u>	<u>241,508</u>	<u>157,600</u>	<u>24,151</u>
Cash, cash equivalents and restricted cash at end of year	<u><u>241,508</u></u>	<u><u>157,600</u></u>	<u><u>119,645</u></u>	<u><u>18,336</u></u>
<b>Supplemental disclosure of cash flow information</b>				
Income tax paid	(597)	(449)	(2,657)	(407)
Interest paid	-	-	(134)	(21)
<b>Supplemental disclosure of non-cash investing and financing activities:</b>				
Derecognition of assets other than cash of disposed subsidiaries/deregistered subsidiaries	1,607	81	980	150
Derecognition of liabilities of disposed subsidiaries/deregistered subsidiaries, net of recognized amount due to the disposed subsidiaries/deregistered subsidiaries	5,719	958	11,595	1,777
Contingent consideration of purchase of subsidiary	(5,444)	(1,322)	-	-
Negative consideration from a business combination	-	(9,100)	-	-
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	-	150,603	96,099	14,728

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

**AMBOW EDUCATION HOLDING LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(All amounts in thousands, except for share and per share data)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

**a. Background**

The accompanying consolidated financial statements include the financial statements of Ambow Education Holding Ltd. (the “Company”), its subsidiaries and variable interest entities (“VIEs”) for which the Company or its subsidiaries are the primary beneficiaries. The Company, its subsidiaries and VIEs are hereinafter collectively referred to as the “Group”.

The Company was incorporated in the Cayman Islands on June 26, 2007. On August 5, 2010, the Company and certain selling shareholders of the Company completed its initial public offering. In June 2018, the Company completed its public offering of 2,070,000 ADSs at US\$4.25 per ADS.

The Company established Ambow NSAD Inc. on May 8, 2019. Ambow NSAD Inc. is a 100% subsidiary of the Company. On March 6, 2020, Ambow NSAD Inc. acquired 100% of the members’ interest of NewSchool of Architecture and Design, LLC (“NewSchool”). NewSchool is a for-profit institution of higher education based in San Diego, California, with programs in Architecture, Construction management, Product Design, Graphic Design & Interactive Media, and Interior Architecture and Design. Refer to Note 23- Acquisition for further information.

On June 14, 2020, the shareholders of VIE, Beijing Normal University Ambow Education Technology Co., Ltd. (“Ambow Shida”), terminated their share pledge agreements, call options agreements, loan agreements, powers of attorney and exclusive consulting and service agreements with Beijing Ambow Chuangying Education and Technology Co., Ltd. (“Ambow Chuangying”); and entered into such contractual agreements with Beijing BoheLe Science and Technology Co. Ltd. (“Beijing BoheLe”) on June 15, 2020. On May 25, 2020, the individual shareholders of Beijing Le’An Operational Management Co., Ltd. (“Beijing Le’An”) entered into the share pledge agreements, call options agreements, loan agreements, powers of attorney and exclusive consulting and service agreements with Beijing BoheLe. Beijing Le’An became VIE of the Company since then. Through the renewal/establishment of such contractual agreements, the Company through its subsidiaries, continued to control the operation decisions of the VIEs. Therefore, the accounts and operations of the VIEs and their subsidiaries remain unchanged in the Group’s consolidated financial statements.

On October 5, 2020, the Company completed the issuance of 1,507,538 ADSs, at a purchase price of \$3.98 per ADS, in a registered direct offering. Each ADS represents two Class A ordinary shares of the Company.

In 2020, the Company also established a series of new subsidiaries and branch companies, and completed disposal and deregistration procedures of certain subsidiaries and branch companies in China. Refer to Note 1 (c) – Major Subsidiaries and VIEs for further information.

**b. Nature of operations**

The Group is a leading provider of educational and career enhancement services in the People’s Republic of China (“PRC”) and U.S. The Group offers a wide range of educational and career enhancement services and products focusing on improving educational opportunities for primary and advanced degree school students and employment opportunities for university graduates. The Group also offers intellectualized operational services for schools and corporate clients to optimizing their teaching and operating environment.

**c. Major subsidiaries and VIEs**

As of December 31, 2020, the Company's major subsidiaries and VIEs include the following entities:

<b>Name</b>	<b>Date of incorporation or acquisition</b>	<b>Place of incorporation (or establishment) /operation</b>	<b>Percentage of ownership %</b>	<b>Principal activity</b>
<b>Subsidiaries</b>				
Ambow Education Management (Hong Kong) Ltd.	November 9, 2009	Hong Kong	100%	Investment Holding
Ambow Chuangying	January 18, 2008	PRC	100%	Investment Holding
Ambow Shengying	October 13, 2008	PRC	100%	Investment Holding
Beijing BoheLe	April 30, 2020	PRC	100%	Investment Holding
Ambow Education Inc.	July 5, 2016	United States	100%	Investment Holding
Ambow BSC Inc.	February 14, 2017	United States	100%	Investment Holding
Bay State College Inc.	November 20, 2017	United States	100%	CP&CE Programs
Ambow NSAD Inc.	May 8, 2019	United States	100%	Investment Holding
NewSchool	March 6, 2020	United States	100%	CP&CE Programs

<b>Name</b>	<b>Date of incorporation or acquisition</b>	<b>Place of incorporation (or establishment) /operation</b>	<b>Percentage of ownership %</b>	<b>Principal activity</b>
<b>Variable interest entities and subsidiaries of VIEs</b>				
Ambow Shida	July 30, 2004	PRC	100%	Investment Holding
Shanghai Ambow	May 16, 2006	PRC	100%	Investment Holding
Ambow Sihua	April 17, 2007	PRC	100%	Investment Holding
Ambow Rongye Education and Technology Co., Ltd. (“Ambow Rongye”)	September 8, 2015	PRC	100%	Investment Holding
Ambow Zhixin Education and Technology Co., Ltd. (“Ambow Zhixin”)	October 14, 2015	PRC	100%	Investment Holding
IValley	March 13, 2017	Taiwan	100%	Investment Holding
Beijing Le’An	January 17, 2020	PRC	100%	Operational Services to K-12 School
Jinan Wangrong Investment Consulting Co., Ltd.	May 21, 2010	PRC	100%	CP&CE Programs
Chongqing XiaTe Technology Development Co., Ltd. (“Chongqing XT Career Enhancement”)	January 13, 2011	PRC	100%	CP&CE Programs
Beijing Genesis Education Group (“Genesis Career Enhancement”)	May 1, 2011	PRC	100%	CP&CE Programs
Beijing Ambow Dacheng Education and Technology Co., Ltd.	December 2, 2013	PRC	100%	CP&CE Programs
GTE (Shanghai) Education Training Co., Ltd. (“GTE Shanghai”)	April 27, 2016	PRC	100%	CP&CE Programs
GTE (Beijing) Education Training School Co., Ltd. (“GTE Beijing”)	February 12, 2020	PRC	100%	CP&CE Programs
IValley Beijing	September 15, 2017	PRC	100%	CP&CE Programs
Beijing Century Zhisheng Education Technology Co., Ltd	July 26, 2007	PRC	100%	CP&CE Programs
Changsha Jingcai Education Technology Co., Ltd.	February 1, 2019	PRC	100%	Investment Holding
Beijing Zhong’an Ambow Culture Technology Co., Ltd. (“ZhongAn Ambow”)	May 1, 2019	PRC	51%	CP&CE Programs



<b>Name</b>	<b>Date of incorporation or acquisition</b>	<b>Place of incorporation (or establishment) /operation</b>	<b>Percentage of ownership %</b>	<b>Principal activity</b>
<b>Schools of VIEs</b>				
Hunan Changsha Tongsheng Lake Experimental School (“Changsha K-12”)	June 18, 1999	PRC	100%	K-12 School
Shenyang Universe High School (“Shenyang K-12”)	December 8, 2003	PRC	100%	K-12 School
Shuyang Galaxy School (“Shuyang K-12”)	November 1, 2008	PRC	100%	K-12 School
Zhenjiang Ambow Education Training Center	June 15, 2009	PRC	100%	CP&CE Programs
Changsha FR Jingcai Xiuye Tutoring School Co., Ltd.	October 18, 2018	PRC	100%	CP&CE Programs
Changsha YL Jingcai Xiuye Tutoring School Co., Ltd.	January 29, 2019	PRC	100%	CP&CE Programs
Changsha YH Jingcai Xiuye Tutoring School Co., Ltd.	July 24, 2019	PRC	100%	CP&CE Programs
Changsha KF Jingcai Xiuye Tutoring School Co., Ltd.	December 11, 2020	PRC	100%	CP&CE Programs
Changsha WC Xiuye Tutoring School Co., Ltd.	February 1, 2019	PRC	100%	CP&CE Programs
Changsha FR Xiuye Tutoring School Co., Ltd.	February 1, 2019	PRC	100%	CP&CE Programs
Changsha TX Xiuye Tutoring School Co., Ltd.	December 3, 2019	PRC	100%	CP&CE Programs
Lanzhou Anning Ambow English Training School	May 16, 2011	PRC	100%	CP&CE Programs
Lanzhou Chengguan Ambow English Training School	March 5, 2012	PRC	100%	CP&CE Programs
Lanzhou Ambow Extracurricular Training School Co., Ltd.	November 7, 2018	PRC	100%	CP&CE Programs
Beijing Haidian Ambow Xinganxian Training School (“Beijing Xinganxian”)	March 28, 2005	PRC	100%	CP&CE Programs
Beijing Huairou Xinganxian Training School	March 10, 2011	PRC	100%	CP&CE Programs
Shandong Shichuang Software Training School	September 22, 2009	PRC	100%	CP&CE Programs

The names of certain schools or companies referred to above represent management’s best effort in translating the Chinese names of these entities as no English names for these entities have been registered.

#### *d. VIE arrangements*

##### VIEs of the Company

PRC regulations restrict foreign owned companies from directly investing in certain businesses providing educational services in PRC. In order to comply with these regulations, through its PRC subsidiaries, the Company has entered into exclusive technical consulting and service agreements (the “Service Agreements”) with a number of VIEs in PRC, which are able to provide such educational services.

The Company has chosen to operate the intellectualized operational service business in PRC through IValley, a Taiwan VIE. According to Taiwan related regulations, any individual, organization, or other institution of the Mainland Area, or any company it invests in any third area may not engage in any investment activity in the Taiwan Area unless permitted by the competent authorities. Hong Kong is considered a third area under Taiwan law. In order to comply with those regulations, through Ambow Education Management (Hong Kong) Ltd., the Company has entered into exclusive Service Agreements with IValley, which is able to provide the intellectualized operational services through its subsidiaries.

The shareholders of the VIEs, through share pledge agreements, have pledged all of their rights and interests in the VIEs, including voting rights and dividend rights, to the Company or its subsidiaries as collateral for their obligation to perform in accordance with the Service Agreements. Further, the shareholders of the VIEs, through exclusive call option agreements, granted to the Company or its subsidiaries an exclusive, irrevocable and unconditional right to purchase part or all of the equity interests in the VIEs for an amount equal to the original cost of their investment should the purchase become permissible under the relevant PRC law.

Through the contractual agreements described above, the following companies: Ambow Shida, Ambow Shanghai, Ambow Sihua, Beijing Le’An, Ambow Rongye, Ambow Zhixin and IValley are considered to be VIEs in accordance with US GAAP for the following reasons:

- Shareholders of the VIEs lack the right to receive any expected residual returns from the VIEs;
- Shareholders of VIEs lack the ability to make decisions about the activities of the VIEs that have a significant effect on their operation; and
- Substantially all of the VIEs’ businesses are conducted on behalf of the Company or its subsidiaries.

Through the equity pledge arrangements, call option agreements and powers of attorney with the shareholders of VIEs, the Company controls decisions in relation to the operations of the VIEs, VIE’s subsidiaries and schools controlled. Specifically, the Company can make the following decisions which most significantly affect the economic performance of the VIEs:

- The Company has the power to appoint the members of the VIE’s board of directors and senior management as a result of the powers of attorney;
- The Company is closely involved in the daily operation of the VIE via appointing management personnel such as VP and other staff to oversee the operation of the VIEs;
- Generally, the VIE’s board of directors and senior management may (1) modify the articles of the schools / centers; (2) approve the department structure of the schools / centers, and (3) approve the division, combination, termination of the schools / centers;
- The principals of the schools are involved in curriculum design, course delivery, hiring teachers, student recruitment, and approving school budgets and monthly spending plan; and
- The principals sign significant contracts on behalf of the schools / training centers such as service arrangement, leasing contract etc.

Further, the Company is also able to make the following decisions that enable it to receive substantially all of the economic returns from the VIEs:

- The Company has the exclusive right to provide management / consulting services to VIEs. Given the Company controls the VIE's board of directors, the Company has the discretion to set the service fees which enable the Company to extract the majority of the profits from the Company;
- The Company has the right to renew the service contracts indefinitely, which ensures the Company will be able to extract profits on a perpetual basis.

The Company, either directly or through its subsidiaries, is the primary beneficiary of the VIEs because it holds all the variable interests in the VIEs. As a result, the accounts and operations of the VIEs and their subsidiaries are included in the accompanying consolidated financial statements.

Other than the contractual control arrangements as disclosed, the Group's officers, directors or shareholders do not have any written or oral agreement with the VIE shareholders.

#### Subsidiaries of the VIEs

The Company conducts education and intellectualized operational service business in PRC primarily through contractual arrangements among the Group's subsidiaries and VIEs in PRC and Taiwan.

The Group's VIEs have power over the activities of subsidiaries (mainly including schools and centers) through their role as the registered sponsors of schools or controlling shareholders of corporate centers. The VIEs control the equity in these schools and are also entitled to the economic benefits from the schools.

The schools and centers, which are controlled by the VIEs, hold the necessary business and education licenses or permits to perform education activities. The schools and centers also sign all significant contracts, including leases, relating to the performance of these activities.

In addition, the responsibilities of the schools and centers, under the direction of the VIEs and Company's management (through the power invested in them by the VIEs) include the following:

- Providing suitable facilities to house staff and deliver courses to students;
- Designing an appropriate curriculum for the delivery of courses, in accordance with the Ministry of Education ("MOE"), or the MOE stipulations, where applicable;
- Hiring, training and terminating the employment of teachers and other support staff to run the schools and centers; and
- Selecting and recruiting students, in accordance with the Company's entry requirements and to maximize the usage of capacity.

Based on the nature of schools, the Company has categorized the schools into two categories, and applies the voting interest model when consolidating the schools requiring reasonable returns and applies the VIE model when consolidating the schools not requiring reasonable returns.

For the schools requiring reasonable returns, the VIEs have a 100% equity interest in the schools, which allows them to make key operating decisions on behalf of the schools. Therefore, the Company through the VIEs consolidates the schools applying voting interest model.

According to the Law for Promoting Private Education, which regulates the education industry in China, schools not requiring reasonable returns are prohibited from distributing annual dividends. The Company through the VIEs has the power to direct the schools' most significant activities as long as the VIEs remain the equity holders of the schools and has the obligation to absorb operating losses and the rights to receive the schools' expected residual returns. The Company is able to extract profits through technical service agreements. Therefore, the Company through the VIEs is the primary beneficiary of the schools not requiring reasonable returns and consolidates them under the VIE model.

### Aggregation of VIEs

The Company identifies and aggregates its subsidiaries and VIEs with similar nature for consolidation and reporting purpose. The VIEs and their schools and centers have very similar characteristics and are facing similar kinds/levels of risks:

- The principal business of the VIEs are sponsors of the schools and centers, or the controlling shareholders of the companies which are the sponsors of the schools and centers;
- All the schools of the VIEs require licenses from MOE (or commercial and business regulators if they are registered as companies);
- The schools and centers, in addition to holding the business/education licenses, have to operate by conducting all necessary activities, including but not limited to, acquiring and provisioning of appropriate facilities, hiring and management of teachers and supporting staff, recruitment of students and course/training delivery;
- The schools and centers operated their business in the education industry and hence subject to the regulations and risks associated with the industry; and
- For the VIEs, schools and centers registered and located in PRC, they are facing similar risks in related to governmental, economic and currency. For VIE registered in Taiwan, its subsidiaries locate in PRC and facing similar risks in related to governmental, economic and currency with other VIEs.

In addition, the Company enters into different contractual agreements with the six VIEs but these agreements are of similar format and structure. Therefore, the contract risk, if any, arising from the contractual relationship with the VIEs is also similar.

As a result, the Company considers it is appropriate to, according to ASC 810, aggregate all these VIEs together for reporting in the financial statements.

### Risk in relation to the VIE structure

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including those that govern the Group's VIE contractual arrangements. If the Group's ownership structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violation, including (i) revoking the business and operating licenses of the Company's PRC subsidiaries and VIEs; (ii) discontinuing or restricting the operations of any related-party transactions among the Company's PRC subsidiaries and VIEs; (iii) imposing fines or other requirements with which the Group or the Company's PRC subsidiaries and VIEs may not be able to comply; (iv) revoking the preferential tax treatment enjoyed by the Company's PRC subsidiaries and VIEs; (v) requiring the Group or the Company's PRC subsidiaries and VIEs to restructure the ownership structure or operations. If any of the above penalties is imposed on the Group, the Group's business operations and expansion, financial condition and results of operations will be materially and adversely affected. On March 15, 2019, the new Foreign Investment Law of PRC (the "2018 Foreign Investment Law") was passed by the Second Session of the thirteenth National People's Congress and will come into force on January 1, 2020. The 2018 Foreign Investment Law does not mention concepts including "de facto control", "controlling through contractual arrangements" or "variable interest entity", nor does it specify the regulation on controlling through contractual arrangements or variable interest entity. Furthermore, the 2018 Foreign Investment Law does not specifically stipulate rules on the education industry. Therefore, the Company believes that the 2018 Foreign Investment Law will not have any material adverse effect on its VIE structure and business operations.

There are uncertainties as to whether the Company can maintain the Taiwan VIE structure in the future. If Ambow Education Management (Hong Kong) Ltd. is classified as "organization of the Mainland Area", there may be a material impact to the viability to our current corporate structure, corporate governance and business operations. The Company may potentially be subject to fines and/or administrative or criminal liabilities.

The Company's operations depend on the VIEs and their respective shareholders to honor their contractual agreements with the Company. All of these agreements between the Company and Ambow Shida, Ambow Shanghai, Ambow Sihua, Beijing Le'An, Ambow Rongye and Ambow Zhixin are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Agreements between the Company and IValley are governed by Taiwan laws and regulations and provide for the resolution of disputes through arbitration in the Taipei. The management believes that the VIE agreements are in compliance with PRC and Taiwan laws and are legally enforceable.

However, the interpretation and implementation of the laws and regulations in the PRC and their application to the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual agreements. Meanwhile, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Company to enforce the contractual arrangements should the VIEs or their shareholders fail to perform their obligation under those arrangements.

In addition, if the Company is unable to maintain effective control over its VIEs, the Company would not be able to continue to consolidate the Group's VIEs' financial results with its financial results. The Company's ability to conduct its education business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Company may not be able to consolidate Ambow Shanghai, Ambow Shida, Ambow Sihua, Beijing Le'An, Ambow Rongye, Ambow Zhixin and IValley, their respective schools and subsidiaries in its consolidated financial statements as it may lose the ability to exert effective control over these entities and their respective schools and subsidiaries and their shareholders, and it may lose the ability to receive economic benefits from these respective entities, schools and subsidiaries. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company, the subsidiaries or the VIEs, and believes that the risk of losing the ability to maintain effective control over its VIEs is remote.

Currently there are no contractual arrangements that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its PRC educational and career enhancement services through the VIEs and their subsidiaries, and PRC intellectualized operational services through IValley and its subsidiaries, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss.

Financial information of the VIEs and their subsidiaries/schools:

The combined financial information of the Group's VIEs and, as applicable, subsidiaries/schools of the Group's VIEs was included in the accompanying consolidated financial statements of the Group as follows:

	<b>As of December 31,</b>		
	<b>2019</b>	<b>2020</b>	
	<b>RMB</b>	<b>RMB</b>	
Total assets	684,384	653,657	
Total liabilities	647,775	665,374	

	<b>Years ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Net revenue	447,834	503,221	411,805
Net income (loss)	66,185	(45,739)	(44,603)

The following table sets forth cash and cash equivalents in RMB held by the Group's VIEs and non-VIE in PRC as of December 31, 2019 and 2020:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>
VIEs in PRC	86,304	60,044
Non-VIEs in PRC	52,115	4,207
Total	<u>138,419</u>	<u>64,251</u>

## 2. GOING CONCERN

### Liquidity and Capital Resources

As of December 31, 2020, the Group's consolidated current liabilities exceeded its consolidated current assets by RMB 219,466. With certain non-cash payment adjustments excluded from the current liabilities, the gap between the current liabilities and current assets has been significantly reduced. The Group's consolidated net assets were amounting to RMB 141,154 as of December 31, 2020. There are no liquidity concerns noted in the next 12 months.

The Group's principal sources of liquidity have been cash provided by operating activities. The Group had net cash provided by operating activities of RMB 4,812 and RMB 25,445 for the years ended December 31, 2020 and 2018 respectively, and net cash used in operating activities of RMB 10,210 for the year of 2019. The cash inflow in 2020 was mainly attributable to the tuition and fees collected at K-12 schools for the fall semester of the 2020-2021 academic year, and less cash expenditures in operating activities to mitigate the impact of COVID-19. As of December 31, 2020, the Group had RMB 118,821 in unrestricted cash and cash equivalents, RMB 117,854 in short term investments, available for sale, and RMB 45,000 in short term investments, held to maturity.

The Group's operating results for future periods are subject to numerous uncertainties and it is uncertain if the Group will be able to achieve a net income position for the foreseeable future. If management is not able to increase revenue and/or manage cost and operating expenses in line with revenue forecasts, the Company may not be able to achieve profitability.

From the beginning of 2020, in response to the global spread of COVID-19, businesses and schools in China have been suspended since the end of January 2020 as part of quarantine measures to contain the pandemic. Our K-12 schools, tutoring centers and training offices in China have been closed since then. As China eradicated the pandemic within months, our K-12 schools have gradually returned to operation from May 2020, and all of our tutoring centers and training offices went into full business operation from August 2020. Bay State College and NewSchool in U.S. have moved all courses online, including certain classes in a hybrid model (online and on campus together), in response to social distancing needs and precautionary measures. Yet the pandemic continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on our future operations. The pandemic may adversely affect our liquidity resources, including but not limited to delayed collection of tuition and fees.

### Conclusion

The Group believes that available cash and cash equivalents, short term investments, available for sale and short term investments, held to maturity, cash provided by operating activities, together with cash available from the activities mentioned above, should enable the Group to meet presently anticipated cash needs for at least the next 12 months after the date that the financial statements are issued and the Group has prepared the consolidated financial statements on a going concern basis. However, the Group continues to have ongoing obligations and it expects that it will require additional capital in order to execute its longer-term business plan. If the Group encounters unforeseen circumstances that place constraints on its capital resources, management will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, initiating additional public offerings, curtailing the Group's business development activities, suspending the pursuit of its business plan, obtaining credit facilities, controlling overhead expenses and seeking to further dispose of non-core assets. Management cannot provide any assurance that the Group will raise additional capital if needed.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **a. Basis of presentation**

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). All amounts in the accompanying consolidated financial statements and notes are expressed in Renminbi (“RMB”). Amounts in United States dollars (“US\$”) are presented solely for the convenience of readers and use an exchange rate of RMB 6.5250, representing the middle rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board as of December 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

#### **b. Use of estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosure of contingent assets and liabilities. On an on-going basis, the Group evaluates its estimates, including those related to the useful lives of long-lived assets including property and equipment, stock-based compensation, fair value of assets and liabilities acquired in business combinations, impairment of goodwill and other intangible assets, income taxes, provision for doubtful accounts and contingencies. The Group bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, when these carrying values are not readily available from other sources. Actual results may differ from these estimates.

#### **c. Basis of consolidation**

All significant inter-company transactions and balances have been eliminated upon consolidation. Non-controlling interests represent the equity interests in the Company’s subsidiaries and VIEs that are not attributable, either directly or indirectly, to the Company.

The consolidated financial statements include the financial statements of the Company, its subsidiaries and its VIEs.

#### **d. Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash in bank with no restrictions, as well as highly liquid investments which are unrestricted as to withdrawal or use, and which have remaining maturities of three months or less when initially purchased.

#### **e. Restricted cash**

Restricted cash includes the cash frozen during ongoing arbitrations.

#### **f. Short term investments**

Short term investments consist of held-to-maturity investments and available-for-sale investments.

The Group’s held-to-maturity investments consist of financial products purchased from banks. The Group’s short-term held-to-maturity investments are classified as short-term investments on the consolidated balance sheets based on their contractual maturity dates which are less than one year and are stated at their amortized costs.

Investments classified as available-for-sale investments are carried at their fair values and the unrealized gains or losses from the changes in fair values are reported net of tax in accumulated other comprehensive income until realized.

The Group reviews its investments for other-than-temporary impairment (“OTTI”) based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds the investment’s fair value, the Group considers, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Group’s intent and ability to hold the investment. OTTI is recognized as a loss in the income statement.

#### **g. Accounts receivable**

Accounts receivable mainly represent the amounts due from the customers or students of the Company’s various subsidiaries and VIEs.

#### **h. Allowance for doubtful accounts**

The Group adopted ASC 326 Financial Instruments – Credit Losses using the modified retrospective approach through a cumulative-effect adjustment to accumulated deficit from January 1, 2020 and interim periods therein. Management used an expected credit loss model for the impairment of trading receivables as of period ends. Management believes the aging of accounts receivable is a reasonable parameter to estimate expected credit loss, and determines expected credit losses for accounts receivables using an aging schedule as of period ends. The expected credit loss rates under each aging schedule were developed on basis of the average historical loss rates from previous years, and adjusted to reflect the effects of those differences in current conditions and forecasted changes. Management measured the expected credit losses of accounts receivable on a collective basis. When an accounts receivable does not share risk characteristics with other accounts receivables, management will evaluate such accounts receivable for expected credit loss on an individual basis. Doubtful accounts balances are written off and deducted from allowance, when receivable are deemed uncollectible, after all collection efforts have been exhausted and the potential for recovery is considered remote.

#### **i. Land use rights**

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on straight-line basis over the useful life of land use right.





**j. Property and equipment**

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

Buildings	20-40 years
Motor vehicles	5 years
Office and computer equipment	3-10 years
Leasehold improvements	Shorter of the remaining lease terms or estimated useful lives

**k. Business combinations**

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any non-controlling interests of the acquiree at the acquisition date, if any, are measured at their fair values as of the acquisition date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any non-controlling interest of the acquiree and fair value of previously held equity interest in the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. A gain on a bargain purchase is recognized and measured as the excess of the fair values of the acquired identifiable net assets exceeded the total consideration transferred plus the fair value of any non-controlling interest of the acquiree and fair value of previously held equity interest in the acquiree, if any, at the acquisition date. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as of the date of acquisition. Acquisition-related expenses and restructuring costs are expensed as incurred.

Where the consideration in an acquisition includes contingent consideration, the payment of which depends on the achievement of certain specified conditions post-acquisition. The contingent consideration is recognized and measured at its fair value at the acquisition date and is recorded as a liability, and it is subsequently remeasured at fair value at each reporting date with changes in fair value reflected in earnings.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations occurred during the years ended December 31, 2019 and 2020 are disclosed in Note 23-Acquisition. There was no business combination occurred during the year ended December 31, 2018.

**l. Intangible assets**

Intangible assets represent brand, software, trade name, student population, corporative agreement, customer relationship, license, trademark, workforce, non-compete agreement and accreditation. The software was initially recorded at historic acquisition costs or cost directly incurred to develop the software during the application development stage that can provide future benefits, and amortized on a straight-line basis over estimated useful lives.

Other finite lived intangible assets are initially recorded at fair value when acquired in a business combination, in which the finite intangible assets are amortized on a straight-line basis except student populations and customer relationships which are amortized using an accelerated method to reflect the expected departure rate over the remaining useful life of the asset. The Group reviews identifiable amortizable intangible assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value. The intangible assets have original estimated useful lives as follows (Refer to Note 9-Intangible Assets for further information):

Software	2 years to 10 years
Student populations	1.8 years to 15 years
Trade names	Indefinite
Brand	Indefinite
Others	1.3 years to 10 years

The Group has determined that trade names and brand have the continued ability to generate cash flows indefinitely. There are no legal, regulatory, contractual, economic or other factors limiting the useful life of the respective trade names and brand. Consequently, the carrying amounts of trade names and brand are not amortized but are tested for impairment as of September 30 every year or more frequently if events or circumstances indicate that the assets may be impaired. Such impairment test consists of a comparison of the fair values of the trade names and brand with their carrying amounts and an impairment loss is recognized if and when the carrying amounts of the trade names and brand exceed their fair values.

The Group performed impairment testing of indefinite-lived intangible assets in accordance with ASC 350, which requires an entity to evaluate events and circumstances that may affect the significant inputs used to determine the fair value of the indefinite-lived intangible assets when performing qualitative assessment. When these events occur, the Group estimates the fair value of these trade names and brand with the Relief from Royalty method (“RFR”), which is one of the income approaches. RFR method is generally applied for assets that frequently licensed in exchange for royalty payments. As the owner of the asset is relieved from paying such royalties to a third party for using the asset, economic benefit is reflected by notional royalty savings. An impairment loss is recognized for any excess in the carrying value over the fair value of trade names and brand.

### ***m. Segments***

The Group evaluates a reporting unit by first identifying its operating segments, and then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meets the definition of a business, the Group evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Group determines if the segments are economically similar and, if so, the operating segments are aggregated. The Group has two reportable segments including K-12 schools and CP& CE Programs. For further details, refer to Note 21-Segment Information.

### ***n. Goodwill***

Goodwill represents the future economic benefits arising from other assets acquired in a business combination or an acquisition by an entity that are not individually identified and separately recognized. Goodwill acquired in a business combination is tested for impairment at least annually or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. The Group performed impairment analysis on goodwill as of September 30 every year either beginning with a qualitative assessment, or starting with the quantitative assessment instead. The quantitative goodwill impairment test compares the fair values of each reporting unit to its carrying amount, including goodwill. A reporting unit constitutes a business for which discrete profit and loss financial information is available. The fair value of each reporting unit is established using a combination of expected present value of future cash flows. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Determining when to test for impairment, the Group's reporting units, the fair value of a reporting unit and the fair value of assets and liabilities within a reporting unit, requires judgment and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparable. The Group bases fair value estimates on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain.

Significant changes in the economic characteristics of components or reorganization of an entity's reporting structure can sometimes result in a re-assessment of the affected operating segment and its components to determine whether reporting units need to be redefined where the components are no longer economically similar.

Future changes in the judgments and estimates underlying the Group's analysis of goodwill for possible impairment, including expected future cash flows and discount rate, could result in a significantly different estimate of the fair value of the reporting units and could result in additional impairment of goodwill.

### ***o. Impairment of long-lived assets***

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss, which is the excess of carrying amount over the fair value of the assets, using the expected future discounted cash flows.

### ***p. Extinguishments of liabilities***

The Group derecognizes a liability only if it has been extinguished. A liability has been extinguished if either the Group pays the creditor and is relieved of its obligation for the liability, or the Group is legally released from the liability judicially or by the creditor. In 2018 and 2020, the Group derecognized liabilities with long aging over certain years and no claim of debts have been received by the Group, and liability whose creditors have ceased to exist legally. Refer to Note 25-Gain from Derecognition of Liabilities for detail.

#### **q. Revenue recognition**

The Group has adopted ASC 606 Revenue from Contracts with Customers using the modified retrospective transition method from January 1, 2018. The Group's revenue is generated from delivering educational programs and services and intellectualized operational services.

The core principle of ASC 606 is that an entity recognizes revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that principle, the Group applies the following steps:

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

The Group has two reportable segments: 1) K-12 schools, 2) CP&CE Programs. K-12 schools provide K-12 full curriculums educational services to pre-school children, primary and secondary students in China. CP&CE Programs offer tutoring services to pre-school children, primary and secondary students, provide vocational education services to undergraduate students in partner colleges, provide boarding and accommodation services to partner colleges or corporate customers, provide short term outward bound and in-house training services to corporate clients, and provide intellectualized operational services to corporate clients, colleges and universities. Bay State College and NewSchool in U.S. under CP&CE Programs offer career-focused post-secondary educational services to undergraduate students in U.S.

For individual customers including pre-school children, primary and secondary students and undergraduate students, usually there are no written formal contracts between the Group and the students according to business practice. Records with students' name, grade, tuition and fee collected are signed or confirmed by students. Academic requirements and each party's rights are communicated with students through enrollment brochures or daily teaching and academic activities. For college and corporate customers, there are written formal contracts which recorded service fee, service period, each party's rights and obligations and payment terms.

For individual customers including pre-school children, primary and secondary students and undergraduate students, the Group's performance obligations are to provide acknowledged academic education from kindergarten till grade twelve to school-aged students within academic years, extracurricular tutoring services and post-secondary education with Associates and Bachelor's programs within agreed-upon periods respectively. For college and corporate customers, the Group's performance obligations are to provide customized vocational educational services to college students within academic years; or to provide boarding and accommodation services to customers for agreed-upon periods; or to provide short term outward bound and in-house training services to corporate clients within agreed-upon periods; or to provide intellectualized operational services and warranty of agreed period of time.

For individual customers including pre-school children, primary and secondary students and undergraduate students, transaction price of each customer is the tuition and fee received normally up front. For college and corporate customers, transaction price of each customer is the service fee defined in the contract, net of value added tax, and would be received either up front or within payment terms depending on each contract. Circumstances like other variable consideration, significant financing component, noncash consideration, consideration payable to a customer did not exist.

For individual, college and corporate customers, the Group identifies one performance obligation. The transaction prices are allocated to the one performance obligation. For intellectualized operational services to corporate customers, the Group identifies two distinct performance obligations, which is to provide intellectualized operational services and warranty, since customers obtain different benefits from the two services separately and these two services are usually quoted to customers with stand-alone prices, which are determined by cost of services plus certain amount of profit. The transaction price from the contract is allocated according to stand-alone selling prices of each obligation.

For individual customers including pre-school children, primary and secondary students and undergraduate students, the Group satisfies performance obligations to students over time, and recognizes revenue according to tutoring hours or school days consumed in each month of a semester. For vocational education services, outbound and in-house training services, and boarding and accommodation services to college and corporate customers, the Group satisfies performance obligations to customers over time, and recognizes revenue according to the number of months within the academic year, or training days consumed in each month, or boarding service days within each month. For intellectualized operational service to corporate clients, the Group satisfies performance obligations to customers over time, use the cost-based input method to depict its performance in transferring control of services promised to the clients. Such input measure is determined by the proportional relation of the contract costs incurred to date relative to the estimated total contract costs at completion. For performance obligation of warranty, the change of control would be transferred to the customer over time. Accordingly, the Group recognizes revenue using a straight line method within the whole warranty period.

## Disaggregation of revenues

The following table illustrates the disaggregation of revenue by operating segments for the years of 2018, 2019 and 2020:

(RMB in thousands)	K-12 Schools	CP&CE Programs	Consolidated
	RMB	RMB	RMB
Net Revenues in 2018	277,790	253,718	531,508
Net Revenues in 2019	313,747	270,162	583,909
Net Revenues in 2020	291,539	240,441	531,980

## Contract Balances

The transferred control of promised services to customers result in the Group's unconditional rights and conditional consideration receivable on passage of time. Accordingly, as of December 31, 2019 and 2020, the Group has no other contract assets except for Accounts Receivable, in RMB 17,939 and RMB 20,972, respectively. Please refer to Note 6-Accounts Receivable, Net for detail.

Contract liabilities represent the Group has received consideration but has not satisfied the related performance obligations. The tuition and service fees received in advance are the Group's contract liabilities and presented in deferred revenue in the consolidated balance sheets. The revenue recognized during the years 2019 and 2020 that was previously included in the deferred revenue balances as of December 31, 2018 and December 31, 2019 was RMB 124,250 and RMB 165,111, respectively.

The following table provides the deferred revenue balances by segments as of December 31, 2019 and 2020.

	As of December 31,	
	2019	2020
	RMB	RMB
K-12 Schools	96,301	126,564
CP&CE Programs	68,810	37,135
Total	165,111	163,699

## *r. Cost of revenues*

Cost of revenues for educational programs and services primarily consist of teaching fees and performance-linked bonuses paid to the teachers, rental payments for the schools and learning centers, depreciation and amortization of property, equipment and land use rights used in the provision of educational services, costs of educational materials.

Cost of revenues for intellectualized operational services primarily include cost of hardware, devices, materials and application services which were procured and integrated, subcontract cost to other service providers and labor cost of engineers and IT development and operational personnel.

**s. Leases**

The Group adopted ASC 842 Leases as of January 1, 2019, using the non-comparative transition option pursuant to ASU 2018-11. Therefore, the Group has not restated comparative period financial information for the effects of ASC 842, and will not make the new required lease disclosures for comparative periods beginning before January 1, 2019. The Group elected the package of practical expedients permitted under the transition guidance within the new standard, which among others things (i) allowed the Group to carry forward the historical lease classification; (ii) did not require the Group to reassess whether any expired or existing contracts are or contain leases; (iii) did not require the Group to reassess initial direct costs for any existing leases.

The Group identifies lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. For all operating leases except for short-term leases, the Group recognizes operating right-of-use assets and operating lease liabilities. Leases with an initial term of 12 months or less are short-term lease and not recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. The Group recognizes lease expense for short-term leases on a straight-line basis over the lease term. For finance lease, the Group recognizes finance lease right-of-use assets. The operating lease liabilities are recognized based on the present value of the lease payments not yet paid, discounted using the Group's incremental borrowing rate over a similar term of the lease payments at lease commencement. Some of the Group's lease agreements contain renewal options; however, the Group do not recognize right-of-use assets or lease liabilities for renewal periods unless it is determined that the Group is reasonably certain of renewing the lease at inception or when a triggering event occurs. The right-of-use assets consist of the amount of the measurement of the lease liabilities and any prepaid lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease

When none of the criteria of finance lease are met, a lessee shall classify the lease as an operating lease.

Finance lease

The Group classifies a lease as a finance lease when the lease meets any of the following criteria at lease commencement:

- a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise;
- c. The lease term is for the major part of the remaining economic life of the underlying asset;
- d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with ASC 842 paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset;
- e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term;

**t. Research and development**

Research and development expenses comprise of (a) payroll, employee benefits, and other headcount-related costs associated with the development of online education technology platforms and courseware, and (b) outsourced development costs. Except for costs related to internal use software and website development costs, the Group expenses all other research and development costs when incurred for the years presented.

For internal use software, the Group expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing software. Direct costs incurred to develop the software during the application development stage that can provide future benefits are capitalized.

Capitalized internal use software and website development costs are included in intangible assets.

**u. Advertising costs**

The Group expenses advertising costs as incurred. Total advertising expenses were RMB 8,450, RMB 10,664 and RMB 7,474 for the years ended December 31, 2018, 2019 and 2020, respectively, and have been included as part of selling and marketing expenses.

**v. Foreign currency translation and transactions**

The Group uses RMB as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, Hong Kong, the British Virgin Islands and United States is the US\$; the functional currency of the Company's subsidiary in Taiwan is the TWD; while the functional currency of the other entities in the Group is the RMB. In the consolidated financial statements, the financial information of the Company and its subsidiaries, which use US\$ and TWD as their functional currency, has been translated into RMB. Assets and liabilities are translated from each subsidiary's functional currency at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average rate for each quarter. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income or loss in the statement of shareholders' equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gain/loss, net on the consolidated statement of operations.

**w. Foreign currency risk**

The RMB is regulated by the PRC government and is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of PRC, controls the conversion of RMB into foreign currencies. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates. Further, the value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the PRC Foreign Exchange Trading System market.

**x. Fair value of financial instruments**

Financial instruments include cash and cash equivalents, short term investments, available for sale and short term investments, held to maturity, accounts receivable, accounts payable and short-term borrowings. The carrying values of the financial instruments approximate their fair values due to their short-term maturities.

**y. Net income (loss) per share**

Basic earnings per share is computed by dividing net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing net income/(loss) attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Ordinary equivalent shares consist of the ordinary shares issuable upon the vest of restricted shares. Ordinary equivalent shares are excluded from the computation of the diluted net income per share in years when their effect would be anti-dilutive. Ordinary equivalent shares are also excluded from the calculation in loss periods, as their effects would be anti-dilutive.

**z. Income taxes**

Income taxes are provided for in accordance with the laws of the relevant taxing authorities. Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax liabilities and assets are classified as noncurrent and presented with a netted off amount in the consolidated balance sheets as of December 31, 2019 and 2020, respectively.

**aa. Uncertain tax positions**

The Group adopted the guidance on accounting for uncertainty in income taxes, which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on the de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Group believes that certain positions might be challenged despite its belief that its tax return positions are in accordance with applicable tax laws. The Group adjusts these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties where applicable.

**bb. Comprehensive income**

U.S. GAAP generally requires that recognized revenue, expenses, gains and losses be included in net income or loss. Although certain changes in assets and liabilities are reported as separate components of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income or loss. The components of other comprehensive income or loss consist of unrealized gain or loss on short term investments, available for sale and foreign currency translation adjustments.

**cc. Share-based compensation**

The Group grants restricted stock to its employees and directors. The Group measures the cost of employee services received at the grant-date using the fair value of the equity instrument issued net of an estimated forfeiture rate, and therefore only recognizes compensation costs for those shares expected to vest over the service period of the award. The Group records stock-based compensation expense on a straight-line basis over the requisite service period, generally ranging from one year to four years.

Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

**dd. Loss contingencies**

An estimated loss contingency is accrued and charged to the consolidated statements of operations and other comprehensive income (loss) if both of the following conditions are met: (1) Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss; (2) the amount of loss can be reasonably estimated.

The Group reviews its contingent issues on a timely basis to identify whether the above conditions are met.

**ee. Recently issued accounting standards**

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes. ASU 2019-12 is intended to simplify accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, which is 2022 fiscal year for the Company, with early adoption permitted. The Company does not expect adoption of the new guidance to have a significant impact on its consolidated financial statements.

Recently issued ASUs by the FASB, except for the one mentioned above, have no material impact on the Company's consolidated results of operations or financial position.

#### 4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Cash and cash equivalents	211,436	157,600	118,821
Restricted cash	30,072	-	824
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>241,508</u>	<u>157,600</u>	<u>119,645</u>

#### 5. SHORT TERM INVESTMENTS

Short term investments consist of held-to-maturity investments and available-for-sale investments.

##### Held to maturity investments

Held-to-maturity investments consist of various fixed-income financial products purchased from Chinese commercial banks, which are classified as held-to-maturity investments as the Group has the positive intent and ability to hold the investments to maturity. The maturities of these financial products are forty-two days, with annual interest rate ranging from 3.25% to 3.30% and matured and fully collected with principal and interest as of the date of this report. They are classified as short term investments on the consolidated balance sheets as its contractual maturity dates are less than one year. The repayments of principal of the financial products are not guaranteed by the Chinese commercial banks from which the fixed income financial products were purchased. Historically, the Company has received the principal and the interest in full upon maturity of these investments.

While these fixed-income financial products are not publicly traded, the Company estimated that their fair value approximate their amortized costs considering their short term maturities and high credit quality. No OTTI loss was recognized for the year ended December 31, 2020.

##### Available-for-sale investments

Investments other than held-to-maturity are classified as available-for-sale investments, which consist of various adjustable-income financial products purchased from Chinese commercial banks. All the available for sale investments did not have maturity date. They are classified as short-term investments on the consolidated balance sheets as management intends to hold them for a period less than one year.

Available-for-sale securities are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income. The aging of all the available-for-sale investments were less than 12 months as of December 31, 2020. No OTTI loss was recognized for the year ended December 31, 2020.

The amortized cost, gross unrealized gain in accumulated other comprehensive income, and estimated fair value of investments as of December 31, 2019 and 2020, are reflected in the tables below:

	As of December 31, 2019		
	Amortized Cost	Gross unrealized gain in accumulated other comprehensive income	Estimated Fair value
	RMB	RMB	RMB
<b>Short-term investments:</b>			
Held-to-maturity investments			
Fixed-rate financial products	<u>31,000</u>	<u>-</u>	<u>31,000</u>
<b>Available-for-sale investments</b>			
Adjustable-rate financial products	<u>56,000</u>	<u>1,487</u>	<u>57,487</u>



	As of December 31, 2020		
	Amortized Cost	Gross unrealized gain in accumulated other comprehensive income	Estimated Fair value
	RMB	RMB	RMB
<b>Short-term investments:</b>			
Held-to-maturity investments			
Fixed-rate financial products	45,000	-	45,000
<b>Available-for-sale investments</b>			
Adjustable-rate financial products	117,000	854	117,854

Interest income recognized on held-to-maturity investments for years ended December 31, 2018, 2019 and 2020 were as follows:

	Years Ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
Interest income recognized on held-to-maturity investments	5,836	1,904	548	81

## 6. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following:

	As of December 31,	
	2019	2020
	RMB	RMB
Accounts receivable	20,932	27,219
Less: Allowance for doubtful accounts	(2,993)	(6,247)
Accounts receivable, net	17,939	20,972

Allowance for doubtful accounts:

	As of December 31,	
	2019	2020
	RMB	RMB
Balance at beginning of year	(3,535)	(2,993)
Addition	(3,220)	(7,857)
Written off	3,762	4,603
Balance at end of year	(2,993)	(6,247)

## 7. PREPAID AND OTHER CURRENT ASSETS, NET

Prepaid and other current assets consisted of the following:

	As of December 31,	
	2019	2020
	RMB	RMB
Amount due from Xihua Group (Note i)	49,800	49,800
Receivable from Zhenjiang operating rights (Note ii)	35,000	35,000
Prepaid input value-added tax	4,682	4,069
Due from former owners	2,848	-
Staff advances	6,591	3,723
Rental deposits	5,404	2,826
Prepayments to suppliers	13,080	9,209
Loan to third party (Note iii)	9,000	-
Subsidy receivable (Note iv)	-	4,567
Others (Note v)	11,230	8,510
Total before allowance for doubtful accounts	137,635	117,704
Less: allowance for doubtful accounts	(4,339)	(70)
Total	133,296	117,634

Allowance for doubtful accounts:

	As of December 31,	
	2019	2020
	RMB	RMB
Balance at beginning of year	(9,654)	(4,339)
Addition (Note vi)	(2,765)	(1,046)
Written off (Note vi)	8,080	5,315
Balance at end of year	(4,339)	(70)

(Note i) A payable balance amounted to RMB 49,800 was recorded by a subsidiary prior to its acquisition by the Group, and such payable was indemnified by Xihua Investment Group ("Xihua Group"). No provision was made for the indemnity. The indemnity balance was still outstanding as of the date of issuance of the financial statements.

(Note ii) The balance represented the prepaid operating rights to the Zhenjiang Foreign Language School and Zhenjiang International School. The Group started a negotiation of returning the operating right back to the original owner Zhenjiang Education Investment Center in the third quarter of 2011. As a result, the prepaid operating rights have been reclassified as receivable since then. As of December 31, 2019 and 2020, the payable balance to Zhenjiang Foreign Language School amounted to RMB 36,770 and RMB 36,770, respectively (see Note 13-Accrued and Other Liabilities); therefore, no provision was made. As of the date of issuance of the financial statements, the negotiation was still in progress.

(Note iii) In December 2019, Ambow Shengying entered into a loan agreement with Beijing Dongyuanzhongheng Investment Management Co., Ltd. ("Dongyuan"). As of December 31, 2019, the outstanding principal was RMB 9,000 with annual interest rate 5%. The loan agreement did not require collateral or pledge on the loan. On April 8, 2020, the Group entered into an equity transfer intention agreement with Dongyuan to agree that the outstanding loan and interest due would be turned into part of consideration for the Group to acquire a no-less-than 51% equity interest of Hebi Ambow Ruiheng Education Technology Co., Ltd. ("Hebi School") depending on both parties further agreement. No allowance upon such loan was provided in the year of 2019. The loan was reclassified to the other non-current asset as of December 31, 2020. Refer to Note 11-Other Non-Current Assets, Net for further information.

(Note iv) On March 6, 2020, Ambow NSAD Inc. acquired 100% of the outstanding membership interest of NewSchool. As part of the acquisition, a subsidy was provided by the seller for each of the four years after the acquisition for the loss of certain online business of NewSchool after the change of ownership. Refer to Note 23-Acquisition for further background information.

(Note v) Others mainly included inventory, prepaid education supplies, prepaid outsourcing service fee, and other miscellaneous items with trivial amounts.

(Note vi) Addition of allowance during the years of 2019 and 2020 was mainly provided against third parties due to the remote recoverability. Certain provisions were written off after all collection efforts being exhausted and the potentials for recovery was remote.

## 8. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	As of December 31,	
	2019	2020
	RMB	RMB
Buildings	128,282	128,659
Motor vehicles	4,464	4,147
Office and computer equipment	63,685	59,372
Leasehold improvements	83,251	89,667
Sub-total	279,682	281,845
Less: accumulated depreciation	(122,219)	(137,353)
Total	157,463	144,492

For the years ended December 31, 2018, 2019 and 2020, depreciation expenses were RMB 19,973, RMB 18,481 and RMB 24,477, respectively, which were recorded in cost of revenues, selling and marketing expenses, general and administrative expenses and research and development expenses.

The Group has not obtained the building ownership certificates for certain buildings with a total net carrying value of approximately RMB 30,689 and RMB 31,764 as of December 31, 2020 and 2019, respectively. In July 2020, the Group mortgaged its office property in Beijing, China to obtain a line of credit from Bank of Huaxia. Refer to Note 12 Short-Term Borrowing for further information.

## 9. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>
<b>Gross carrying amount</b>		
Trade names	43,878	47,068
Brand	5,920	4,534
Student populations	39,817	39,817
Software	37,024	31,371
Others	16,203	12,206
	<u>142,842</u>	<u>134,996</u>
<b>Less: accumulated amortization</b>		
Trade names	-	-
Brand	-	-
Student populations	(39,288)	(39,711)
Software	(34,945)	(29,206)
Others	(12,002)	(11,271)
	<u>(86,235)</u>	<u>(80,188)</u>
<b>Intangible assets, net</b>		
Trade names	43,878	47,068
Brand	5,920	4,534
Student populations	529	106
Software	2,079	2,165
Others	4,201	935
	<u>56,607</u>	<u>54,808</u>

Intangible assets – others include customer relationships, cooperative agreements, non-compete agreements, trademark, workforce, license and accreditation. For the years ended December 31, 2018, 2019 and 2020, the Group performed impairment test on the trade name and brand, and recognized impairment loss of RMB nil, RMB 5,030 and RMB 1,386, respectively.

Amortization expenses for intangible assets amounted to RMB 4,651, RMB 6,042 and RMB 5,599 for the years ended December 31, 2018, 2019 and 2020, respectively, of which RMB 1,393, RMB 3,063 and RMB 3,696 are included in cost of sales and the remaining are included in general and administrative expenses. Based on the current amount of intangible assets subject to amortization, the estimated amortization expenses for each of the future annual periods are as follows:

	<b>Amount</b>
	<b>RMB</b>
2021	1,181
2022	382
2023	351
2024	329
2025	329
Thereafter	634
<b>Total</b>	<u>3,206</u>

## 10. GOODWILL

The changes in the carrying amount of goodwill by reporting unit for the years ended December 31, 2019 and 2020 were as follows:

	<b>K-12 Schools</b>	<b>CP&amp;CE Programs</b>	<b>Consolidated</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Balance as of December 31, 2018	25,710	47,456	73,166
Goodwill recognized during the year (Note 23 (1))	-	20,911	20,911
Goodwill impairment (Note i)	-	(33,724)	(33,724)
Balance as of December 31, 2019	<u>25,710</u>	<u>34,643</u>	<u>60,353</u>
Goodwill recognized during the year	-	960	960
Goodwill disposed during the year	-	(290)	(290)
Goodwill impairment (Note i)	-	(35,313)	(35,313)
Balance as of December 31, 2020	<u>25,710</u>	<u>-</u>	<u>25,710</u>

(Note i) In 2020, the Group elected to start with the quantitative impairment test for goodwill. The management determined that the Income Approach, specifically the Discounted Cash Flow (“DCF”) method, is appropriate. For CP&CE Programs, some business units have kept downward trends in business performance and operating results, and the management decided to suspend some non-performing business units in order to solidify the operational base and enhance future growth prospects. As a result, lower projection of cash flows was used for these business units. For the rest of entities, the management would continue to maintain business, develop new programs and service portfolios and organize resources in a more effective way. For K-12 segment, the management decided to use a flat and conservative growth rate. Other key assumptions besides cash flow projections included discount rates in the range from 15% to 16% and terminal growth rate of 3%.

## 11. OTHER NON-CURRENT ASSETS, NET

Other non-current assets consisted of the following:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>
Prepaid long-term deposit and loans to lock-up an equity interest investment (Note i)	42,212	89,929
Long-term receivables from Jinghan Taihe (Note ii & Note 23)	10,773	13,723
Long-term restricted cash (Note iii)	6,587	19,373
Long-term lease deposits	5,290	3,603
Equity method investments	1,895	1,740
Long-term subsidy receivable (Note 7(iv) & Note 23)	-	6,577
Others	4,214	4,122
Total	<u>70,971</u>	<u>139,067</u>

(Note i) In April 2019, Ambow Shida entered into an agreement to lock-up a no-less-than 51% equity interest of Hebi School held by Dongyuan for six years, starting from May 1, 2019 till April 30, 2025. Hebi School is a for-profit K-12 school located in Hebi, Henan Province in China, and under campus construction from July 2019. It will provide elementary, junior and senior high school full curriculum services once put into use. Ambow Shida paid RMB 40,000 to Dongyuan as a deposit in April 2019 according to the agreement. As agreed by both parties, if Ambow Shida and Dongyuan reached for agreement to transfer the equity interest of Hebi School at any time during the six years, the deposit in RMB 40,000 plus 10% annual interest accrued would not be returned but as part of the consideration for the transfer; or, Dongyuan will return the deposit to Ambow Shida with 10% annual interest within seven days upon the termination of the Agreement. Ambow Shida recognized RMB 40,000 as the principal and RMB 5,758 as interest receivable of the lock-up deposit as of December 31, 2020.

Ambow Shengying also entered into a series of loan agreements with Dongyuan in 2019 and 2020 with 5% annual interest rate. The total outstanding principles and interest receivable were RMB 42,600 and RMB 1,571 as of December 31, 2020, respectively. All loan agreements were without any requirements for collateral or pledge on the loans.

On April 8, 2020, the Group entered into an equity transfer intention agreement with Dongyuan to agree that the outstanding loans and interest due would be turned into part of consideration for the Group to acquire a no-less-than 51% equity interest of Hebi School depending on both parties further agreement. No allowance upon such deposit loans and interest receivable was provided in the year of 2020.

(Note ii) As of December 31, 2020, the Group recognized long-term receivables due from Jinghan Taihe of RMB 13,723, including the present value of long-term receivable related to the acquisition of tutoring centers previously owned by Jinghan Taihe and accrued management fee income from Jinghan Taihe. The interest income recognized in the Group’s consolidated income statement for the years ended December 31, 2020 and 2019 were RMB 1,925 and RMB 958, respectively. Due to the termination of operation of Jinghan Tutoring Centers, the Group is negotiating with Jinghan Taihe on settlement of the outstanding receivables and payables as of the date of this report. Refer to Note 13 (ii)-Accrued and Other Liabilities and Note 23-Acquisition for further information.

(Note iii) It includes cash in collateral bank accounts for the issuance of letters of credit in U.S. and cash in special deposit accounts required by the Education Commission to prevent abusive use of educational funds in China.

## 12. SHORT-TERM BORROWING

The following table sets forth the loan agreement of short-term borrowing from bank:

Date	Borrower	Lender	Amount (RMB)	Annual Interest Rate	Repayment Due Date
September 1, 2020	Ambow Shida	Huaxia Bank	10,000	4.35%	September 1, 2021

In July 2020, the Group mortgaged its office property in Beijing, China with the carry amount of RMB 65,078 to obtain a line of credit in RMB 30,000 from Bank of Huaxia with one-year term from July 1, 2020 to July 1, 2021. The mortgage shall be terminated once all borrowings were repaid and mortgage cancellation registration procedures were completed. On September 1, 2020, the Group received a loan from Huaxia Bank in the amount of RMB 10,000 with maturity date on September 1, 2021 and bearing interest at 4.35% per annum for working capital purpose.

## 13. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities consisted of the following:

	As of December 31,	
	2019	2020
	RMB	RMB
Business tax, VAT and others	42,469	31,719
Payable balance with indemnity by Xihua Group (Note 7(i))	49,800	49,800
Payable to Zhenjiang Foreign Language School (Note 7(ii))	36,770	36,770
Accrued payroll and welfare	32,189	27,982
Payable to Jinghan Taihe (Note ii & Note 23)	-	25,441
Payable for purchase of equipment and services	5,782	9,995
Receipt in advance	11,636	4,535
Amounts due to students	6,231	9,198
Lawsuit penalty payable	2,592	2,731
Consideration payable (Note i)	-	7,067
Others	5,488	4,352
Total	192,957	209,590

(Note i) On March 6, 2020, Ambow NSAD Inc. acquired 100% of the outstanding membership interest of NewSchool. As part of the acquisition, a cash consideration was payable to the seller on or before December 31, 2021. Refer to Note 23-Acquisition for further background information.

(Note ii) Due to the termination of operation of Jinghan Tutoring Centers in 2020, the Group reclassified deferred revenue of those tutoring centers to other liabilities in RMB 25,441 as of December 31, 2020. The Group is negotiating with Jinghan Taihe on settlement of the outstanding receivables and payables as of the date of this report. Refer to Note 11 (ii)-Other Non-Current Assets, Net and Note 23-Acquisition for further information.

## 14. LONG-TERM BORROWING

The following table sets forth the loan agreement of long-term borrowing from bank:

Date	Borrower	Lender	Amount (RMB)	Original Amount (US\$)	Annual Interest Rate	Repayment Due Date
May 1, 2020	Bay State College	Small Business Administration ("SBA")	9,594	1,470	1.00%	May 2, 2022

On May 1, 2020, Bay State College obtained a PPP loan under the CARES Act from the SBA through Bank of America in US\$1,470, with maturity date on May 2, 2022. Bay State College accrued interest expense of the loan using a fixed rate of 1%. Bay State College is applying for the forgiveness of the PPP loan as of the date of this report.

## 15. ORDINARY SHARES

The addition of ordinary shares during the years ended December 31, 2019 and 2020 came from the vest of restricted shares and a registered public offering in October 2020 respectively. Refer to Note 16-Share Based Compensation - Restricted Stock Award for further information on the vest of restricted shares.

On October 5, 2020, the Company completed the issuance of 1,507,538 ADSs (representing 3,015,076 Class A Ordinary Shares), at a purchase price of \$3.98 per ADS, in a registered direct offering. The net proceeds from the offering, after deducting the placement agent fees and other offering expenses, was approximately RMB 35,515 (US\$ 5,210).

## 16. SHARE BASED COMPENSATION

### Amended and Restated 2010 Equity Incentive Plan

On June 1, 2010, the Group adopted the 2010 Equity Incentive Plan, or the “2010 Plan”, which became effective upon the completion of the IPO on August 5, 2010 and terminated automatically 10 years after its adoption. On December 21, 2018, the Group amended and restated the 2010 Plan, or the “Amended and Restated 2010 Plan”, which became effective upon the approval from the Board of Directors and shareholders. The plan will continue in effect for 10 years from the date adopted by the Board, unless terminated earlier under section 18 of the plan.

### Share options

On November 22, 2018, the Board of Directors approved to convert 293,059 outstanding and expired options with an exercise price of US\$0.4749 into 293,059 shares of restricted stock. The fair value of the restricted shares was US\$2.70 per share, which was based on the quoted price of the Company’s ADS on November 21, 2018. All restricted stock subject to this award fully vested as of November 22, 2018. After the conversion, there were no options granted to employees and non-employees.

A summary of the share option activity as of December 31, 2018, 2019 and 2020 is as follows:

	Year ended December 31, 2018				Year ended December 31, 2019				Year ended December 31, 2020			
	Shares	Weighted Average Exercise Price RMB	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value RMB	Shares	Weighted Average Exercise Price RMB	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value RMB	Shares	Weighted Average Exercise Price RMB	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value RMB
Outstanding at beginning of year	253,816	3.09	1.86	1,186	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-	-	-	-	-
Forfeited or expired	-	-	-	-	-	-	-	-	-	-	-	-
Converted	(253,816)	3.09	-	-	-	-	-	-	-	-	-	-
Outstanding at end of year	-	-	-	-	-	-	-	-	-	-	-	-
Exercisable at end of year	-	-	-	-	-	-	-	-	-	-	-	-
Expected to be vested	-	-	-	-	-	-	-	-	-	-	-	-

Management of the Group is responsible for determining the fair value of options granted and have considered a number of factors when making this determination, including valuations. The Group has not granted options during the years of 2018, 2019 and 2020. As of December 31, 2019 and 2020, all share options were vested and previously expensed. There were no share-based compensation expenses for the share options during the years from 2019 to 2020.

## Restricted stock awards

On May 18, 2015, the Board of Directors granted 510,000 shares of the restricted stock to employees and new hires. Twenty-five percent of the awards vested on the one-year anniversary of the grant date, and the remainder vested in equal and continuous monthly installments over the following thirty-six months thereafter, subject to participant's continuing service through each vesting date. In 2019 and 2020, 47,743 and nil shares of restricted stock were vested respectively, with 47,743 and nil of the vested shares separately issued to the board members. As of December 31, 2020, these awards of restricted stock were fully vested.

On November 22, 2018, the Board of Directors approved to convert 293,059 outstanding and expired options with an exercise price of US\$0.4749 into 293,059 shares of restricted stock. All restricted stock subject to this award fully vested as of November 22, 2018.

On November 22, 2018, the Board of Directors approved to grant 200,000 shares of the restricted stock to senior employees of the Company. Twenty-five percent of the awards vested on the one-year anniversary of the vesting commence date, and the remainder shall vest in equal and continuous monthly installments over the following thirty-six months thereafter, subject to participant's continuing service of the Company through each vesting date. In 2019 and 2020, 54,167 and 50,001 shares of restricted stock were vested respectively.

A summary of the restricted stock awards as of December 31, 2019 and 2020 is as follows:

	<b>Year ended December 31, 2019</b>		
	<b>Shares</b>	<b>Grant-date fair value</b>	<b>Weighted Average Remaining Contractual Term</b>
		<b>RMB</b>	
Unvested at beginning of year	273,319	19.31	3.01
Granted	-	-	-
Vested	(101,910)	20.20	-
Forfeited or expired	-	-	-
Unvested at end of year	171,409	19.16	2.55
Shares vested but not issued at end of year	19,935	21.78	-

	<b>Year ended December 31, 2020</b>		
	<b>Shares</b>	<b>Grant-date fair value</b>	<b>Weighted Average Remaining Contractual Term</b>
		<b>RMB</b>	
Unvested at beginning of year	171,409	19.16	2.55
Granted	-	-	-
Vested	(50,001)	17.62	-
Forfeited or expired	-	-	-
Unvested at end of year	121,408	18.10	1.57
Shares vested but not issued at end of year	19,935	20.42	-

The Company recorded share-based compensation expenses of RMB 8,121, RMB 1,624 and RMB 947 in general and administrative expense for the restricted stock awards for the years ended December 31, 2018, 2019 and 2020, respectively, and the unrecognized share-based compensation expenses were amounting to RMB 2,720 and RMB 1,666 as of December 31, 2019 and 2020, respectively.



## 17. TAXATION

### a. Value added tax (“VAT”)

The PRC government implemented a value-added tax reform pilot program, which replaced the business tax with VAT. Since May 2016, the change from business tax to VAT are expanded to all other service sectors which used to be subject to business tax. The VAT rates applicable to the subsidiaries and consolidated variable interest entities of the Group ranged from 3% to 6% as compared to the 3%~5% business tax rate which was applicable prior to the reform.

As of December 31, 2019 and 2020, the payable balances for VAT were RMB 10,645 and RMB 2,176 respectively.

### b. Business tax

In PRC, business taxes used to be imposed by the government on the revenues arising from the provision of taxable services including but not limited to education in the years before 2016. The business tax rates for the Group’s subsidiaries and consolidated variable interest entities ranged from 3% to 5%. Business tax was then replaced by the VAT from 2016 and thereafter.

As of December 31, 2019 and 2020, the payable balances for business tax were RMB 18,456 and RMB 17,456, respectively.

### c. Income taxes

#### Cayman Islands

Under the current laws of Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. In addition, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

#### British Virgin Islands

The Company’s subsidiaries incorporated in the BVI are not subject to taxation.

#### Hong Kong

Only one of the Company’s subsidiaries incorporated in Hong Kong is subject to a profit tax rate of 8.25% for the first HK\$ 2,000 of assessable profits. Profits exceeding HK\$ 2,000 and other subsidiaries in Hong Kong are subject to profit tax at a rate of 16.5%.

#### Taiwan

Entity incorporated in Taiwan is subject to Taiwan profit tax at a rate of 17%.

#### PRC and US

Significant components of the provision for income taxes on earnings for the years ended December 31, 2018, 2019 and 2020 are as follows:

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Current:			
PRC	5,709	6,198	3,641
U.S.	-	5	2,274
Deferred:			
PRC	(2,594)	6,156	1,065
U.S.	383	558	(5,918)
Provision for income tax expenses	3,498	12,917	1,062

### ***Corporate entities***

The PRC Enterprise Income Tax (“EIT”) is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules, which became effective on January 1, 2008. EIT Law imposes a unified income tax rate of 25% for all resident enterprises in China, including both domestic and foreign invested enterprises.

EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of PRC. A lower withholding income tax rate of 5% is applied if the FIE’s immediate holding company is registered in Hong Kong or other jurisdiction that have a tax treaty or arrangement with PRC and the FIE’s immediate holding company satisfies the criteria of beneficial owner as set out in Circular Guoshuihan [2009] No. 601. Such withholding income tax was exempted under the previous income tax laws and rules. On February 22, 2008, the Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) jointly issued a circular which stated that FIEs that generate earnings in or after 2008 and distribute those earnings to foreign investors should pay the withholding tax. As stipulated in the EIT Law, if the earnings of a tax resident enterprise are distributed to another tax resident enterprise, the withholding tax can be exempted. According to EIT Law and EIT Implementing Regulations, a tax resident enterprise is an entity incorporated in the PRC, or incorporated outside the PRC but its “place of effective management” is in the PRC. The Company assessed and concluded that it does not satisfy the definition of a tax resident enterprise. The Company has further determined that its FIEs in PRC will not declare any dividend should the withholding tax on dividends be applied. Accordingly, the Company did not record any withholding tax on the retained earnings of its FIEs in PRC for the years ended December 31, 2018, 2019 and 2020.

### ***Private schools and colleges***

The Group’s companies providing education services are taxed as corporate enterprises as referred to above. Private schools or colleges operated for reasonable returns are subject to income taxes at 25% after January 1, 2008 but are sometimes subject to deemed rates of income tax to be determined by the relevant tax authorities. In certain cities, schools that were registered as requiring reasonable returns were subject to income tax of 1.5% to 2.5% on gross revenue.

The principal regulations governing private education in China are The Law for Promoting Private Education and The Implementing Rules for the Law for Promoting Private Education, or 2004 Implementing Rules. The Standing Committee of the National People’s Congress promulgated an amendment to The Law for Promoting Private Education on November 7, 2016, which went into effect on September 1, 2017. Pursuant to this amendment, private schools not requiring reasonable returns were treated in a similar manner to public schools and were generally not subject to income tax. To date, no separate regulations or guidelines have been released on how to define reasonable return for the purposes of assessing a school’s tax status. We currently do not believe it is likely that our schools and college would qualify as not-for-profit organizations and therefore be exempt from corporate income tax under the EIT Law. The Group has recognized income tax payable for the above unrecognized tax benefits because the obligation was considered probable. Please see Note 17(d) for the movement of uncertain tax position.

The principal components of the Group's deferred tax assets and liabilities were as follows:

	As of December 31	
	2019	2020
	RMB	RMB
<b>Deferred tax asset:</b>		
Accrued expense	4,332	5,241
Allowance for doubtful accounts	39,051	37,470
Tax loss carried forward	229,545	275,914
Deferred advertising expense	221	222
Impairment of long-lived tangible assets	357	357
Discount on long-term receivables from Jinghan Taihe	8,660	8,930
Total deferred tax assets	282,166	328,134
Valuation allowance	(249,626)	(297,689)
<b>Deferred tax assets, net of valuation allowance</b>	<b>32,540</b>	<b>30,445</b>
<b>Deferred tax liabilities:</b>		
- Unrecognized valuation surplus and deficit - acquisition	81,125	81,125
- Unrecognized valuation surplus and deficit - decrease due to amortization and impairment	(61,516)	(62,759)
- Unrealized profit of short-term investments	428	235
- Accelerated fixed assets depreciation	2,308	2,119
- Unrealized gain on acquisition	-	3,387
<b>Total deferred tax liabilities</b>	<b>22,345</b>	<b>24,107</b>
<b>Deferred tax assets, net of valuation allowance and deferred tax liabilities</b>	<b>10,195</b>	<b>6,338</b>

For entities incorporated in Hong Kong, net loss can be carried forward indefinitely; for entity incorporated in Taiwan, net loss can be carried forward for ten years; for entity incorporated in U.S., net loss generated before 2018 can be carried forward for twenty years, net loss generated in 2018 and onward can be carried forward indefinitely; for entity incorporated in P.R.C. mainland, net loss can be carried forward for five years.

The following represents the amounts and expiration dates of operating loss carried forwards for tax purpose:

	Amount
	RMB
2021	11,016
2022	9,995
2023	12,127
2024	13,995
2025 and thereafter	812,594
Total	859,727

The following represents a roll-forward of the valuation allowance for each of the years:

	As of December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Balance at beginning of the year	403,485	278,437	249,626
Allowance made during the year	7,315	96,336	66,346
Decrease due to disposal/deregistration of subsidiaries	(23,595)	(65,639)	(2,408)
Reversals	(108,768)	(59,508)	(15,875)
Balance at end of the year	278,437	249,626	297,689

Reconciliation between total income tax expense and the amount computed by applying the PRC statutory income tax rate to income before income taxes is as follows:

	<b>Years ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	%	%	%
PRC statutory income tax rate	25%	25%	25%
Impact of different tax rates in other jurisdictions	(2)%	(8)%	(1)%
Tax effect of preferential tax rate for small enterprises	0%	(5)%	5%
Tax effect of non-deductible expenses	9%	(2)%	29%
Tax effect of non-taxable income	(9)%	2%	19%
Tax effect of tax-exempt entities	0%	17%	(20)%
Tax effect of deemed profit	(2)%	0%	0%
Tax effect of short term investment	3%	0%	0%
Deferred tax effect of tax rate change	0%	(35)%	47%
Changes in valuation allowance	(16)%	(9)%	(106)%
Effective tax rate	8%	(15)%	(2)%

**d. Uncertain tax positions**

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax positions is as follows:

	<b>As of December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Unrecognized tax benefits, beginning of year	24,619	26,246	32,152
The amount of decreases in the unrecognized tax benefits relating to settlements with taxing authorities	(259)	(242)	(69)
Additions for tax position of current year	2,301	6,148	3,231
Decrease due to disposal of subsidiaries (Note 26)	-	-	(551)
Decrease due to deregistration of subsidiary	(415)	-	-
Unrecognized tax benefits, end of year	<u>26,246</u>	<u>32,152</u>	<u>34,763</u>

The amounts of unrecognized tax benefits listed above are based on the recognition and measurement criteria of ASC Topic 740, and the balance is presented as non-current liability in the consolidated financial statements since December 31, 2020 due to the fact that the Group does not anticipate payments of cash within one year.

The Group recognizes interest and penalty charges related to uncertain tax positions as necessary in the provision for income taxes. The Group has a liability for accrued interest of RMB nil as of December 31, 2019 and 2020, respectively.

However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of uncertain tax positions may result in liabilities which could be materially different from these estimates. In such an event, the Group will record additional tax expense or tax benefit in the period in which such resolution occurs. As of December 31, 2018, 2019 and 2020, there are RMB 26,246, RMB 32,152 and RMB 34,763 unrecognized tax benefits that if recognized would affect the annual effective tax rate. The Group does not expect that the position of unrecognized tax benefits will significantly increase or decrease within 12 months of December 31, 2020.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to assess underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities based on the above.

## 18. NET INCOME/LOSS PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated:

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
<b>Numerator:</b>			
Numerator for basic and diluted income (loss) per share	44,990	(99,941)	(62,712)
<b>Denominator:</b>			
Denominator for basic income (loss) per share weighted average ordinary shares outstanding	41,342,597	43,505,175	44,372,326
Denominator for diluted income (loss) per share weighted average ordinary shares outstanding	41,671,763	43,505,175	44,372,326
<b>Basic income (loss) per share</b>	<u>1.09</u>	<u>(2.30)</u>	<u>(1.41)</u>
<b>Diluted income (loss) per share</b>	<u>1.08</u>	<u>(2.30)</u>	<u>(1.41)</u>

Basic net income (loss) per share is computed using the weighted average number of the ordinary shares outstanding during the year. Diluted net income (loss) per share is computed using the weighted average number of ordinary shares and ordinary equivalent shares outstanding during the year. 329,166 restricted shares were included in the calculation of diluted income per share for the year of 2018.

## 19. LEASES

The Group has operating leases for classrooms, dormitories, corporate offices and certain equipment; and finance lease for a teaching building used by Shenyang K-12 School. For the finance lease, all lease payments have been paid to the landlord from the commencement date of the lease.

The components of lease expense were as follows:

	Years ended December 31,	
	2019	2020
	RMB	RMB
Operating and short-term lease expense	49,079	58,723
Finance lease expense	600	600

Supplemental cash flow information related to leases was as follows:

	Years ended December 31,	
	2019	2020
	RMB	RMB
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	43,684	44,548
Operating cash flows from finance lease	-	-

Supplemental balance sheet information related to leases was as follows:

	Years ended December 31,	
	2019	2020
Weighted-average Remaining Lease Term		
Operating leases	7.87 Years	7.41 Years
Finance lease	10.67 Years	9.67 Years
Weighted-average Discount Rate		
Operating leases	4.57%	4.51%

The Group's lease agreements do not have a discount rate that is readily determinable. The incremental borrowing rate is determined at lease commencement or lease modification and represents the rate of interest the Group would have to pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment. The weighted-average discount rate was calculated using the discount rate for the lease that was used to calculate the lease liability balance for each lease and the remaining balance of the lease payments for each lease as of December 31, 2020.

The weighted-average remaining lease terms were calculated using the remaining lease term and the lease liability balance for each lease as of December 31, 2020.

As of December 31, 2020, maturities of lease liabilities were as follows:

	<u>Amount</u> <u>RMB</u>
2021	55,934
2022	48,348
2023	43,605
2024	42,672
2025	42,307
Thereafter	101,040
<b>Total lease payments</b>	<u>333,906</u>
Less: interest	(59,885)
<b>Total</b>	<u>274,021</u>
Less: current portion	(53,702)
<b>Non-current portion</b>	<u>220,319</u>

As of December 31, 2020, the Group had no material operating or finance leases that had not yet commenced.

#### **Sublease**

The Group subleases dormitories and offices to third parties under operating leases. Sublease income are recorded as a reduction of lease expense in the consolidated statements of operations.

For the years ended December 31, 2018, 2019 and 2020, gross sublease income of the Group was RMB 4,131, RMB 3,064 and RMB 1,199, respectively.

#### **20. CONTINGENCIES**

As of December 31, 2020, the Company did not have any significant indemnification claims that were probable or reasonably possible.

#### **21. SEGMENT INFORMATION**

The Group offers a wide range of educational and career enhancement services and products focusing on improving educational opportunities for primary and advanced degree school students and employment opportunities for university graduates.

The Group's chief operating decision maker ("CODM") has been identified as the CEO who reviews the financial information of separate operating segments when making decisions about allocating resources and assessing performance of the Group. The Group has two reportable segments: 1) K-12 schools, 2) CP&CE Programs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance based on each reporting segment's revenues, cost of revenues, gross profit, operating expenses, other income (expense), income (loss) before income tax and non-controlling interests and total assets as follows.

For the year ended December 31, 2018

(RMB in thousands)	K-12 Schools RMB	CP&CE Programs RMB	Consolidated RMB
Net Revenues	277,790	253,718	531,508
Cost of revenues	(178,645)	(159,498)	(338,143)
<b>GROSS PROFIT</b>	<b>99,145</b>	<b>94,220</b>	<b>193,365</b>
<b>OPERATING EXPENSES</b>			
Selling and marketing	(1,286)	(36,951)	(38,237)
General and administrative	(46,041)	(48,444)	(94,485)
Research and development	-	(487)	(487)
Unallocated corporate expenses	-	-	(44,773)
Total operating expenses	(47,327)	(85,882)	(177,982)
<b>OPERATING INCOME</b>	<b>51,818</b>	<b>8,338</b>	<b>15,383</b>
<b>OTHER INCOME</b>			
Interest income	3,859	266	4,125
Foreign exchange gain, net	-	38	38
Other income, net	3,404	5,076	8,480
Gain from derecognition of liabilities	-	4,254	4,254
Gain from deregistration of subsidiaries	-	2,858	2,858
Gain on sale of investment available for sale	512	-	512
Unallocated corporate other income	-	-	12,788
Total other income	7,775	12,492	33,055
<b>INCOME BEFORE INCOME TAX AND NON-CONTROLLING INTERESTS</b>	<b>59,593</b>	<b>20,830</b>	<b>48,438</b>
Segment assets	373,671	352,009	725,680
Unallocated corporate assets	-	-	184,539
<b>TOTAL ASSETS</b>	<b>373,671</b>	<b>352,009</b>	<b>910,219</b>

For the year ended December 31, 2019

(RMB in thousands)	K-12 Schools RMB	CP&CE Programs RMB	Consolidated RMB
Net Revenues	313,747	270,162	583,909
Cost of revenues	(197,064)	(191,830)	(388,894)
<b>GROSS PROFIT</b>	<b>116,683</b>	<b>78,332</b>	<b>195,015</b>
<b>OPERATING EXPENSES</b>			
Selling and marketing	(1,361)	(47,763)	(49,124)
General and administrative	(44,271)	(87,220)	(131,491)
Research and development	-	(245)	(245)
Impairment loss	-	(38,754)	(38,754)
Unallocated corporate expenses	-	-	(73,071)
Total operating expenses	(45,632)	(173,982)	(292,685)
<b>OPERATING INCOME (LOSS)</b>	<b>71,051</b>	<b>(95,650)</b>	<b>(97,670)</b>
<b>OTHER INCOME</b>			
Interest income	1,412	1,150	2,562
Foreign exchange gain, net	-	25	25
Other (loss) income, net	(82)	2,950	2,868
Gain from deregistration of subsidiaries	-	562	562
Gain on sale of investment available for sale	1,043	-	1,043
Unallocated corporate other income	-	-	3,101
Total other income	2,373	4,687	10,161
<b>INCOME (LOSS) BEFORE INCOME TAX AND NON-CONTROLLING INTERESTS</b>	<b>73,424</b>	<b>(90,963)</b>	<b>(87,509)</b>
Segment assets	345,427	466,162	811,589
Unallocated corporate assets	-	-	209,210
<b>TOTAL ASSETS</b>	<b>345,427</b>	<b>466,162</b>	<b>1,020,799</b>

For the year ended December 31, 2020

(RMB in thousands)	K-12 Schools RMB	CP&CE Programs RMB	Consolidated RMB
Net Revenues	291,539	240,441	531,980
Cost of revenues	(188,628)	(198,862)	(387,490)
<b>GROSS PROFIT</b>	<b>102,911</b>	<b>41,579</b>	<b>144,490</b>
<b>OPERATING EXPENSES</b>			
Selling and marketing	(1,471)	(46,533)	(48,004)
General and administrative	(44,288)	(78,995)	(123,283)
Research and development	(41)	(1,245)	(1,286)
Impairment loss	-	(36,699)	(36,699)
Unallocated corporate expenses	-	-	(59,768)
Total operating expenses	(45,800)	(163,472)	(269,040)
<b>OPERATING INCOME (LOSS)</b>	<b>57,111</b>	<b>(121,893)</b>	<b>(124,550)</b>
<b>OTHER INCOME</b>			
Interest income	660	2,987	3,647
Foreign exchange gain, net	-	33	33
Other (loss) income, net	(105)	(3,440)	(3,545)
Gain from derecognition of liabilities	-	4,073	4,073
Loss from deregistration of subsidiaries	-	(22)	(22)
Gain on disposal of subsidiaries	-	752	752
Gain on the bargain purchase	-	40,273	40,273
Gain on sale of investment available for sale	2,988	-	2,988
Unallocated corporate other income	-	-	13,432
Total other income	3,543	44,656	61,631
<b>INCOME (LOSS) BEFORE INCOME TAX AND NON-CONTROLLING INTERESTS</b>	<b>60,654</b>	<b>(77,237)</b>	<b>(62,919)</b>
Segment assets	407,157	448,256	855,413
Unallocated corporate assets	-	-	194,304
<b>TOTAL ASSETS</b>	<b>407,157</b>	<b>448,256</b>	<b>1,049,717</b>

The following table summarizes the net revenues and long-lived assets for the years ended and as of December 31, 2018, 2019 and 2020 by geographic areas.

	Years ended December 31,		
	2018 RMB	2019 RMB	2020 RMB
<b>Net Revenues</b>			
PRC	447,809	503,180	411,805
U.S.	83,699	80,729	120,175
<b>Total</b>	<b>531,508</b>	<b>583,909</b>	<b>531,980</b>
<b>Long-lived Assets</b>			
PRC	315,539	371,847	300,623
U.S.	17,776	168,146	179,560
<b>Total</b>	<b>333,315</b>	<b>539,993</b>	<b>480,183</b>

Net revenues are attributed to areas based on the location where the service is performed to the customers. Other than in PRC and the United States, the Group does not conduct business in any other individual country.

Long-lived assets represent property and equipment, land use rights, intangible assets, goodwill, operating and finance lease right-of-use assets for each geographic area.



## 22. PRC CONTRIBUTION AND PROFIT APPROPRIATION

Full time employees of the Group in the PRC participate in a government-mandated multiemployer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to qualified employees. PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; hence, the Group has no further commitments beyond its monthly contributions. The total contributions for such employee benefits were RMB 37,594, RMB 44,456 and RMB 29,910 for the years ended December 31, 2018, 2019 and 2020, respectively.

In accordance with the Regulations on Enterprises with Foreign Investment of PRC and their articles of association, the Company's subsidiaries in the PRC, being foreign invested enterprises established in PRC, are required to provide for certain statutory reserves, namely general reserve, enterprise expansion reserve and staff welfare and bonus reserve, all of which are appropriated from net profit as reported in the Group's PRC statutory accounts. The Company's subsidiaries in the PRC are required to allocate at least 10% of their after-tax profits to the general reserve fund until such fund has reached 50% of their respective registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors of the Company's subsidiaries.

In accordance with the PRC Company Laws, the Group's VIEs established in PRC make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserves, namely statutory surplus reserve, statutory public welfare reserve and discretionary surplus reserve. The Company's or its non-school subsidiaries' VIEs are required to allocate at least 10% of their after-tax profits to the statutory surplus reserve until the reserve reaches 50% of each entity's registered capital. Appropriation to the statutory public welfare fund is 5% to 10% of their after-tax profits as reported in the PRC statutory accounts. Effective from January 1, 2006, under the revised PRC Company Laws, an appropriation to the statutory public welfare reserve is no longer mandatory. Appropriation to the discretionary surplus reserve is made at the discretion of the board of directors of the VIEs.

In accordance with the Law of Promoting Private Education (2003), the Group's school subsidiaries in PRC must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserves, namely the education development reserve, which requires annual appropriations of at least 25% of after-tax profits or the increase in net assets of private education schools (as determined under accounting principles generally accepted in the PRC at each year-end) to the statutory reserve.

The following table presents the Group's appropriations to the general reserve fund, statutory surplus reserve and education development reserve as of December 31, 2019 and 2020:

	As of December 31,	
	2019	2020
	RMB	RMB
General and statutory surplus reserve	17,348	1,438
Education development reserve	2,837	2,772
<b>Total</b>	<b>20,185</b>	<b>4,210</b>

## 23. ACQUISITION

### Acquisition completed in 2019:

#### (1) Ten Tutoring Centers controlled by Beijing Xinganxian

In February 2019, Beijing Xinganxian entered into an agreement with Beijing Jinghan Taihe Education Technology Co., Ltd. (“Jinghan Taihe”) to operate its ten branch companies located in Beijing for ten years from March 1, 2019 to February 28, 2029. Such ten branch companies operate ten centers to provide after school tutoring services to primary and secondary students (“Jinghan Tutoring Centers”). According to the Company’s assessment, starting from April 1, 2019 (“the acquisition date”), Beijing Xinganxian had the right to determine all business activities and to receive the expected residual return, also had the obligation to absorb expected loss of ten branch companies. Therefore, Beijing Xinganxian obtained substantial controls over the ten branch companies from April 1, 2019. Beijing Xinganxian also has the sole discretion to renew the agreement for another ten years.

The Company applied the acquisition method under ASC 805 Business Combinations regarding the consolidation of the ten branch companies. Pursuant to the agreement, on February 28, 2029, Jinghan Taihe shall pay to Beijing Xinganxian all of the: (i) RMB 27,871 which is the balances of deferred revenue of the ten branch companies as of the acquisition date; (ii) the rental, payroll and welfare payables related to the contracts entered into by Jinghan Taihe as of and after the acquisition date that is going to be paid by Beijing Xinganxian, the estimated amount is RMB 14,342 as of acquisition date. Purchase price of this arrangement is negative consideration, which include: the present value of item (i) and (ii) above in the amount of RMB 5,878 and RMB 3,222, respectively. The present values and interests growing along with passage of time were recorded under the other non-current assets. Refer to Note 11 (ii)-Other Non-Current Assets, Net for further information.

The purchase price was allocated based on the fair values of the acquired assets and liabilities as of the acquisition date as follows:

	RMB	Amortization Period (in years)
Property and equipment	1,023	
Intangible assets:		
Trademark	2,322	3
Workforce	1,870	2
Goodwill	20,911	
Defer tax assets, net of deferred tax liabilities	6,987	
Total assets	33,113	
Deferred revenue	(27,871)	
Other payables	(14,342)	
Total	(9,100)	

The Group used the following valuation methodologies to value assets acquired, liabilities assumed and intangible assets identified:

- (a) The present value of long term accounts receivable and other receivables were calculated using 17% discount rate;
- (b) Property and equipment was valued using the cost approach;
- (c) Trademark was valued using the relief from royalty method, which represents the benefits of owning the intangible asset rather than paying royalties for its use;
- (d) Workforce was valued using the replacement cost approach;
- (e) All other current assets and current liabilities carrying value approximated fair value at the time of acquisition.

With the outbreak of COVID-19 from early 2020, all tutoring centers in Beijing have been closed till August 2020. The management closed four Jinghan Tutoring Centers with low profitability in the second quarter of 2020. Based on negative forecast of remaining tutoring centers, Beijing Xinganxian reached an agreement with Beijing Jinghan Taihe to terminate to operate the remaining tutoring centers by Beijing Xinganxian from August 25, 2020 and thereafter. The Group recognized full impairment loss of the goodwill in RMB 20,911 in the year of 2020. The Group is negotiating with Jinghan Taihe on settlement of the outstanding receivables and payables recognized under such arrangement as of the date of this report.

## Acquisition completed in 2020:

### (1) NewSchool

On March 6, 2020, Ambow NSAD Inc. acquired 100% of the outstanding membership interests of NewSchool, a higher education institution based in San Diego, California offering Bachelor and Master of Architecture programs in Architecture, Construction Management, Product Design, Graphic Design & Interactive Media, and Interior Architecture and Design.

Management of the Group is responsible for determining the fair value of consideration transferred, assets acquired, liabilities assumed and intangible assets identified as of the acquisition date and considered a number of factors including valuations from an independent appraiser.

The purchase price of RMB 7,510 (US\$ 1,083) was cash consideration and payable to the seller on or before December 31, 2021.

The assets acquired from NewSchool include a subsidy provided by the seller for four years after the acquisition for the loss of certain online business of NewSchool after the change of ownership. The fair value of subsidy receivable was discounted by future subsidy payments during the four-year period. The purchase price is less than the fair value of the net assets acquired from NewSchool. As a result, the Group recorded a gain on bargain purchase in connection with this transaction. Refer to Note 7 (iv)-Prepaid and Other Current Assets, Net for current portion of the subsidy receivable in RMB 4,567 and Note 11-Other Non-Current Assets, Net for the non-current portion of the subsidy receivable in RMB 6,577 as of December 31, 2020.

The Group used the following valuation methodologies to value assets acquired, liabilities assumed and intangible assets identified:

- Property and equipment was valued using the cost approach;
- Tradename was valued using the relief from royalty method, which represents the benefits of owning the intangible asset rather than paying royalties for its use;
- Accreditation was valued using the multi-period excess earning method approach;
- All other current assets and current liabilities carrying value approximated fair value at the time of acquisition.

Acquisition-related costs incurred for the acquisitions have been expensed as incurred in general and administrative expense.

The purchase price was allocated based on the fair values of the acquired assets and liabilities as of the acquisition date as follows:

	<b>RMB</b>	<b>Amortization Period (in years)</b>
Cash and cash equivalents	23,755	
Restricted cash	13,867	
Accounts receivable	2,370	
Prepaid and other current assets	7,310	
Property and equipment	1,468	
Intangible assets:		
Software	1,879	
Tradename	3,190	Indefinite
Accreditation	693	10
Operating lease right-of-use asset	83,680	
Other non-current assets	11,919	
Total assets	150,131	
Accounts payable	(44)	
Accrued and other liabilities	(4,275)	
Income tax payable, current	(4,887)	
Deferred tax liabilities	(9,419)	
Operating lease liability	(83,723)	
Total liabilities	(102,348)	
Gain on bargain purchase	(40,273)	
Total purchase price	7,510	

For the purposes of presenting operating segments, NewSchool is classified in the CP&CE Programs.

The following unaudited pro forma information summarizes the results of operations of the Group for the years ended December 31, 2018, 2019 and 2020, respectively, as if the acquisition of NewSchool had been completed on January 1, 2018. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on the date indicated and may not be indicative of future operating results. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable.

	<b>Years ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Pro forma net revenues	629,862	673,941	551,101
Pro forma net income/(loss)	44,947	(94,767)	(60,143)

## 24. RELATED PARTY TRANSACTIONS

### a. Transactions

The Group entered into the following transactions with related parties:

Transactions	Years ended December 31,		
	2018 RMB	2019 RMB	2020 RMB
Balance netting off with Shandong Shichuang Software Engineering Co., Ltd., an entity controlled by Executive Principal of Ambow Research Center	(1,013)	(572)	572
Service purchased from Jinan QCY Intelligent Technology Co., Ltd., an entity significantly influenced by a member of management team of the Company	-	-	(3,401)
Service provided to Beijing QC Technology Company Limited, an entity significantly influenced by a member of management team of the Company	950	950	-
Service purchased from Beijing QC Technology Company Limited, an entity significantly influenced by a member of management team of the Company	(461)	-	(785)
Service purchased from URSUS Information Technology (Beijing) Company Limited, an entity significantly influenced by a member of management team of the Company	(428)	(873)	-
Service purchased from Beijing HJRT Technology Co., Ltd, an entity significantly influenced by a member of management team of the Company	-	-	(264)

### b. The Group had the following balances with related parties:

Relationship	Amounts due from related parties As of December 31,		Amounts due to related parties As of December 31,	
	2019	2020	2019	2020
	RMB	RMB	RMB	RMB
Shandong Shichuang Software Engineering Co., Ltd., an entity controlled by Executive Principal of Ambow Research Center	-	-	1,845	2,417
Jinan QCY Intelligent Technology Co., Ltd., an entity significantly influenced by a member of management team of the Company	-	774	-	-
Beijing QC Technology Company Limited, an entity significantly influenced by a member of management team of the Company	2,028	1,961	126	126
URSUS Information Technology (Beijing) Company Limited, an entity significantly influenced by a member of management team of the Company	202	201	-	-
Beijing HJRT Technology Co., Ltd., an entity significantly influenced by a member of management team of the Company	88	88	-	-
	<u>2,318</u>	<u>3,024</u>	<u>1,971</u>	<u>2,543</u>

## 25. GAIN FROM DERECOGNITION OF LIABILITIES

In 2018, to improve payable management and internal controls, the Company reviewed the possibility to pay and aging of payables of its subsidiaries and schools on a quarterly basis. As a result, the Company derecognized payables to Suzhou Wenjian Venture Investment Management Consulting Co., Ltd. (“Suzhou Wenjian”) in amount of RMB 9,150 since Suzhou Wenjian was closed in 2018 and did not claimed and pursued the debt before its closure. The Company also derecognized payables to other creditors in a collective amount of RMB 6,076 as those payables were all with long aging over three to seven years and no claim of debts have been received by the Company as of December 31, 2018, which led to expiration of statute of limitation of those payables. The Company derecognized payables in RMB 3,926 with expired statute of limitation in the year of 2020. The Company believes the possibilities to pay are remote and write-off those accrued expenses in 2018 and 2020, respectively.

## **26. DISPOSAL OF SUBSIDIARIES**

In the year ended December 31, 2020, the Company sold 100% of its equity interest in several subsidiaries with minimal business operations to third parties. The disposals were not a strategic shift of the business and would not have a major impact on Ambow's business, therefore the disposals did not qualify as discontinued operations. The Company recognized gain from the disposal of those subsidiaries in a collective amount of RMB 752 in the year ended December 31, 2020 .

## **27. GAIN FROM DEREGISTRATION OF SUBSIDIARIES**

In 2019 and 2020, the Company closed several subsidiaries and schools through the deregistration procedures of local governmental and corporate service institutions. Those subsidiaries and schools had no business operations and were in accumulated deficit for years. As a result, the Company recognized gain from deregistration of those subsidiaries and schools in a collective amount of RMB 1,841 and RMB 3,967 in the years ended December 31, 2019 and 2020, respectively.

## **28. NON-CONTROLLING INTERESTS**

In 2018, the 10% economic interests of Shenyang K-12 owned by Shenyang Hanwen Classic Books Publishing Co., Ltd., which was RMB 1,885, was derecognized because the Group acquired such non-controlling interests in court auction. The total consideration for buy-out such non-controlling interests was RMB 4,504 and the difference between the consideration and the carrying amount of non-controlling interest derecognized was recorded as an adjustment to additional paid-in capital. The Group held 100% economic interests in Shenyang K-12 thereafter. In addition, the Group established Beijing Ambow-Cowain Education and Technology Co., Ltd., with a non-controlling economic interest of 49% collectively amounting to RMB 1,470 from one corporate shareholder and one individual shareholder.

In 2019, the Group obtained 51% ownership of ZhongAn Ambow and recognized related non-controlling interest of 49% collectively amounting to RMB 1,285. In December 2019, the Group closed Shanghai Tongguo Education Technology Co., Ltd. and derecognized a non-controlling interest of 40% collectively amounting to RMB 306.

In 2020, the Group closed Beijing Zhong An Handa Technology Consulting Co., Ltd. and derecognized a non-controlling interest of 49% in RMB (19).

## 29. FAIR VALUE MEASUREMENTS

The Group adopted ASC Topic 820, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure requirements for fair value measurements.

ASC Topic 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. ASC Topic 820 specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1-Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2-Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3-Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Management of the Group is responsible for determining the fair value of equity issued, assets acquired, liabilities assumed and intangibles identified as of the acquisition date and considered a number of factors including valuations from independent appraiser.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group measures fair value using valuation techniques that use, when possible, current market-based or independently-sourced market parameters, such as interest rates and currency rates. The following is a description of the valuation techniques that the Group uses to measure the fair value of assets and liabilities that are measured and reported at fair value on a recurring basis:

As of December 31, 2020 and 2019 information about inputs into the fair value measurements of the assets and liabilities that the Group makes on a recurring basis were as follows:

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value and Carrying Value on Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>As of December 31, 2020</b>				
Assets:				
Short term investments, available for sale	117,854	117,854	-	-

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value and Carrying Value on Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>As of December 31, 2019</b>				
Assets:				
Short term investments, available for sale	57,487	57,487	-	-

The following table presents the quantitative information about the Group's Level 3 fair value measurements of intangible assets on a recurring basis in 2019 and 2020, which utilize significant unobservable internally-developed inputs:

	Fair value	Valuation techniques	Unobservable inputs	Range of discount rates
Intangible assets in 2019	158,870	Relief-from-royalty method	Royalty rate	1%-5%
			Discount rate	14.8%-16%
			Terminal growth rate	3%
			Royalty rate	1%-7%
Intangible assets in 2020	177,814	Relief-from-royalty method	Discount rate	14.8%-16%
			Terminal growth rate	3%

The following table presents the quantitative information about the Group's Level 3 fair value measurements of contingent consideration payable on a recurring basis in 2019 and 2020, which utilize significant unobservable internally-developed inputs:

	Fair value	Valuation techniques	Unobservable inputs	Discount rates
Contingent consideration payable in 2019	-	Discounted cash flow method	Discount rate	14.8%
Contingent consideration payable in 2020	-	Discounted cash flow method	Discount rate	14.8%



### 30. CONCENTRATIONS

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, other receivable and other non-current assets. The Group places its cash and cash equivalents and term deposits with financial institutions with high-credit ratings. The Group conducts credit evaluations of its customers and suppliers, and generally does not require collateral or other security from them. The Group evaluates its collection experience and long outstanding balances to determine the need for an allowance for doubtful accounts.

No single customer represented 10% or more of the Group's total revenues for the years ended December 31, 2018, 2019 and 2020.

No single supplier represented 10% or more of the Group's total costs of sales for the years ended December 31, 2018, 2019 and 2020.

A summary of the debtors who accounted for 10% or more of the Group's consolidated accounts receivable, prepaid and other current assets and other non-current assets was as follows:

Debtors	As of December 31,			
	2019		2020	
	RMB	%	RMB	%
<b>Accounts receivable</b>				
Company A	2,089	12%	3,145	15%
<b>Prepaid and other current assets</b>				
Company B	49,800	37%	49,800	42%
Company C	35,000	26%	35,000	30%
<b>Other non-current assets</b>				
Company D	42,211	59%	89,929	65%
Company E	10,773	15%	13,723	10%

The Chinese market in which the Group operates exposes the Group to certain macroeconomic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Group to provide educational and career enhancement services through contractual arrangements in the PRC since this industry remains highly regulated. The Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate the education industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, the status of properties leased for the Group's operations and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Group's ability to conduct business in the PRC.



### **31. SUBSEQUENT EVENTS**

The Company has not identified any events with a material financial impact on the Group's consolidated financial statements.

### **32. ADDITIONAL INFORMATION - CONDENSED FINANCIAL STATEMENTS**

Relevant PRC statutory laws and regulations permit the payment of dividends by the Group's PRC VIEs and subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, PRC laws and regulations require that annual appropriations of certain percentages of the after-tax income or the increase in net assets for the year (as determined under accounting principles generally accepted in the PRC) should be set aside at each year end as a reserve prior to the payment of dividends. As a result of these PRC laws and regulations, the Group's PRC VIEs and subsidiaries are restricted in their ability to transfer a portion of their net assets to the Group either in the form of dividends, loans or advances. The Group's restricted net assets, comprising of the registered paid in capital and statutory reserve of Company's PRC subsidiaries and VIEs, were RMB 601,547 and RMB 517,713 as of December 31, 2019 and 2020, respectively.

The condensed financial statements of the Parent Company have been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the Parent Company used the equity method to account for investments in its subsidiaries and VIEs.

The Parent Company, its subsidiaries and VIEs were included in the consolidated financial statements whereby the inter-company balances and transactions were eliminated upon consolidation. For the purpose of the Parent Company's condensed financial statements, its investments in subsidiaries are reported using the equity method of accounting.

The Company is a Cayman Islands company, therefore, is not subjected to income taxes for all years presented.

The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S GAAP have been condensed or omitted.

As of December 31, 2019 and 2020, there were no material contingencies, significant provisions for long-term obligations, or guarantees of the Company, except for those which have been separately disclosed in the consolidated financial statements, if any.

AMBOW EDUCATION HOLDING LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial information of Parent Company

Balance Sheets

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2019 RMB	2020 RMB	2020 US\$ Note 3(a)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	652	226	35
Amounts due from related parties	273,715	249,057	38,170
Prepaid expenses and other current assets	2,349	211	32
<b>Total current assets</b>	<b>276,716</b>	<b>249,494</b>	<b>38,237</b>
<b>Non-current assets:</b>			
Investment in subsidiaries	-	-	-
Other non-current assets, net	-	544	83
<b>Total non-current assets</b>	<b>-</b>	<b>544</b>	<b>83</b>
<b>Total assets</b>	<b>276,716</b>	<b>250,038</b>	<b>38,320</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Amounts due to related parties	85,358	94,510	14,484
Accrued and other liabilities	27,082	12,406	1,901
<b>Total current liabilities</b>	<b>112,440</b>	<b>106,916</b>	<b>16,385</b>
<b>Non-current liabilities:</b>			
Total non-current liabilities	-	-	-
<b>Total liabilities</b>	<b>112,440</b>	<b>106,916</b>	<b>16,385</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Preferred shares</b>			
(US\$ 0.003 par value; 1,666,667 shares authorized, nil issued and outstanding as of December 31, 2019 and 2020)	-	-	-
<b>Class A Ordinary shares</b>			
(US\$ 0.003 par value; 66,666,667 and 66,666,667 shares authorized; 38,858,199 and 41,923,276 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	730	794	122
<b>Class C Ordinary shares</b>			
(US\$ 0.003 par value; 8,333,333 and 8,333,333 shares authorized; 4,708,415 and 4,708,415 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	90	90	14
Additional paid-in capital	3,508,745	3,545,073	543,306
Accumulated deficit	(3,351,630)	(3,414,936)	(523,362)
Accumulated other comprehensive income	6,341	12,101	1,855
<b>Total shareholders' equity</b>	<b>164,276</b>	<b>143,122</b>	<b>21,935</b>
<b>Total liabilities and shareholders' equity</b>	<b>276,716</b>	<b>250,038</b>	<b>38,320</b>

AMBOW EDUCATION HOLDING LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial information of Parent Company

Statements of Operations

(All amounts in thousands, except for share and per share data)

	Years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
				Note 3(a)
<b>NET REVENUES</b>				
- Educational program and services	-	-	-	-
- Intellectualized operational services	-	-	-	-
<b>Cost of revenues</b>				
- Educational program and services	-	-	-	-
- Intellectualized operational services	-	-	-	-
<b>GROSS LOSS</b>	-	-	-	-
<b>Operating expenses:</b>				
Selling and marketing	-	-	-	-
General and administrative	(1,097)	(12,380)	(7,841)	(1,202)
Research and development	-	-	-	-
Total operating expenses	(1,097)	(12,380)	(7,841)	(1,202)
<b>OPERATING LOSS</b>	(1,097)	(12,380)	(7,841)	(1,202)
Share of income (loss) from subsidiaries	44,864	(159,282)	(55,362)	(8,486)
<b>OTHER EXPENSE</b>				
Interest income (expense), net	117	(267)	-	-
Other income, net	1,106	71,988	491	75
Income tax	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>44,990</b>	<b>(99,941)</b>	<b>(62,712)</b>	<b>(9,613)</b>

AMBOW EDUCATION HOLDING LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial Information of Parent Company

Statements of Cash Flows

(All amounts in thousands, except for share and per share data)

	Years ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$
				Note 3(a)
Cash flows from operating activities	(86)	57,044	(14,319)	(2,193)
Cash flows from investing activities	(2,619)	-	(133)	(20)
Cash flows from financing activities	7,476	(61,485)	14,026	2,150
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-
Net change in cash and cash equivalents	4,771	(4,441)	(426)	(63)
Cash, cash equivalents and restricted cash at beginning of year	323	5,094	653	98
Cash, cash equivalents and restricted cash at end of year	5,094	653	227	35

Supplemental disclosure of cash flow information

Supplemental disclosure of non-cash investing and financing activities

**Termination Agreement**

Party A: **Beijing Ambow Shida Education Technology Co., Ltd.**

Party B: **Beijing Ambow Chuangying Education and Technology Co., Ltd.**

Party A and Party B has mutually agreed on the termination, and reached the following agreement:

1. The “Technology Service Agreement” (hereinafter refer to as “Agreement”) was signed by both parties on June 29, 2017. Both parties agreed to terminate the abovementioned Agreement from June 14, 2020, not to execute, and not to pursue all the responsibilities and consequences arising from the Agreement.
2. This agreement takes into effect after being signed and sealed by both parties.
3. The agreement shall be made in three copies with the same legal effect, in which Party A shall hold two copies and Party B shall hold one copy respectively.

Party A (Seal):

Representative (Signature):

June 14, 2020

Party B (Seal):

Representative (Signature):

June 14, 2020

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**Termination Agreement**

Party A: **Beijing Ambow Chuangying Education and Technology Co., Ltd.**

Party B: **Xuejun Xie, Jianguo Xue**

Party A and Party B has mutually agreed on the termination, and reached the following agreement:

1. The “Loan Agreement”, “Share Pledge Agreement” and “Call Option Agreement” (hereinafter refer to as “Agreements”) was signed by both parties on June 29, 2017. Both parties agreed to terminate the abovementioned Agreements from June 14, 2020, not to execute, and not to pursue all the responsibilities and consequences arising from the Agreements.
2. This agreement takes into effect after being signed and sealed by both parties.
3. The agreement shall be made in three copies with the same legal effect, in which Party A shall hold one copy and Party B shall hold two copies respectively.

Party A (Seal):

Representative (Signature):

June 14, 2020

Party B (Signature):

June 14, 2020

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**Technology Service Agreement**

**Between**

**Beijing Ambow Shida Education Technology Co., Ltd.**

**And**

**Beijing BoheLe Science and Technology Co. Ltd.**

**June 15, 2020**

This Technology Service Agreement (this “Agreement”) is entered into by the following parties on June 15, 2020:

- (1) Beijing Ambow Shida Education Technology Co., Ltd. (“Party A”), a limited liability company duly established and validly existing under the laws of People’s Republic of China (“China”), with its registered address at Room 503, 5/F, No. 25, Wanliu East Road, Haidian District, Beijing, China, and
- (2) Beijing BoheLe Science and Technology Co. Ltd. (“Party B”), a limited liability company duly established and validly existing under the laws of China, with its registered address at Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China.

WHEREAS:

- (1) Party A engages in internet information service; technology development, technical consultation, technical exchange, technology transfer, technology promotion; software development and consulting; computer technology training; basic software services; application software services; computer system services; data processing; production and processing of software and hardware; sale of computer, software and auxiliary equipment; electronics; mechanical and communication equipment; investment consulting; education consulting; business management consulting; dancing, painting, vocal training; design, production, agency, distribution of advertising;
- (2) Party B has expertise and experience in software and hardware design and development;
- (3) Party A and Party B (collectively referred to as the “Parties”) plan to promote their business development by mutual cooperation and developing their respective advantages.

NOW THEREFORE, the Parties agree as follows through friendly consultations:

**Section 1 – Terms of Service**

- 1.1 Party A hereby agrees to engage Party B as Party A’s exclusive education technology service provider, and Party B hereby agrees to accept such engagement.
  - 1.2 Party A agrees that Party A shall not engage any other third party as its technology service provider without Party B’s prior written consent during the term of this Agreement.
  - 1.3 Party A agrees that Party B shall have the right to provide other entities or individuals with the technology service equivalent or similar to that hereunder and to appoint other entities or individuals to provide the technology service hereunder.
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## **Section 2 – Scope of Service**

See Appendix 1 for the scope of relevant technology service provided by Party B to Party A.

## **Section 3 – Service Fee**

3.1 The Parties hereto agree that the fee for the technology service hereunder shall be determined and paid as specified in Appendix 2.

3.2 If Party A fails to pay service fee and other fees in accordance with the provisions of this Agreement, Party A shall pay Party B liquidated damages at 0.05% per day for the overdue amount.

3.3 Party B shall have the right to, at its own expense, appoint one of its employees or a certified public accountant it engages (“Party B’s Authorized Representative”) to examine Party A’s accounts in order to review the calculation method and amount of the service fee. To that end, Party A shall provide Party B’s Authorized Representative with documents, accounts, records, data, etc. that are necessary to audit Party A’s accounts and to determine the amount of the service fee. Unless there is any significant error, the amount of the service fee shall be as determined by Party B’s Authorized Representative.

3.4 Unless as otherwise agreed by the Parties, the service fee payable to Party B by Party A hereunder shall not be subject to any deduction or offset (e.g. bank charges).

3.5 In addition to the service fee described above, Party A shall pay Party B with the actual costs incurred by Party B for rendering consulting services hereunder, including without limitation, traveling expenses, car fare, printing expenses and postage.

## **Section 4 – Confidentiality**

4.1 The Parties acknowledge that, during the term of this Agreement, either Party may obtain (1) the other Party’s non-public information, technical data, trade secrets or know-how relating to the actual and expected business or research and development of either Party, including without limitation research, product plans or other information relating to either Party’s products or services or promotions for products or services, customers’ lists and customers, software, development, invention, processes, formula, technologies, designs, drawings, engineering, hardware configuration information, marketing, financial or other business information, and (2) any third party’s confidential or proprietary information for which either Party assume confidentiality obligations and which shall be only used for certain limited purposes (“Confidential Information”). The Confidential Information does not include (1) any information that one Party already knows at the time such information is disclosed to such Party by the other Party; (2) any information that becomes public known or generally available not because of either Party’s illegal conduct; or (3) the information lawfully obtained by one Party from a third party authorized to make the disclosure.

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4.2 Either Party will take reasonable measures to keep confidential the other Party's Confidential Information and prevent disclosure and unauthorized use of such Confidential Information. Without limiting the foregoing, the Parties will at least take such measures as it will take for its own Confidential Information. Unless as reasonable required for the performance of its obligations hereunder or unless as the other Party approves in writing, neither Party shall make any copy of the other Party's Confidential Information. Either Party shall reproduce the other Party's proprietary rights notices on any approved copy in the manner in which such notice was set forth in or on the original.

4.3 Either Party shall (1) not disclose such Confidential Information to any person other than any of its directors, employees, authorized agents or independent contractors who need to know such Confidential Information to perform their duties hereunder; (2) only use Confidential Information for the purposes of fully performing its obligations hereunder; and (3) ensure any person from such Party who knows Confidential Information comply with the confidentiality obligations and other restrictive provisions hereunder as if such person were a party hereto. If one Party is required by law to disclose the other Party's Confidential Information, such Party shall promptly notify the other Party in writing of such requirement prior to the disclosure, and shall assist the other Party in securing the order to protect such information against public disclosure. Neither Party shall reverse engineer, disassemble or decompile any prototype, software or any tangible object that contains the other Party's Confidential Information and that is provided to such Party.

4.4 Either Party further agree to return to the other Party all written Confidential Information obtained from the other Party upon termination of this Agreement or at any other time requested by the other Party.

#### **Section 5 – Intellectual Property**

5.1 The Parties acknowledge and agree that Party B shall exclusively own all technical data, software, findings, inventions, developments, trade secrets, copyrights, documents and other materials improved or prepared by Party B under this Agreement, whether they are patentable or copyrighted.

5.2 If Party A makes improvements to "intellectual property", such improvements shall be Party B's exclusive proprietary property. Party A hereby transfers to Party B all of its rights, title and interests in and to such improvements.

#### **Section 6 – Independent Contractor**

The Parties expressly acknowledge and agree that Party B performs all the technology services hereunder as an independent contractor, and shall not be deemed to enter into any partnership, joint venture or other relationships of substantially the same or similar nature with Party A.

#### **Section 7 – Representations and Warranties**

7.1 Party A represents and warrants that:

(1) Party A is a company duly registered and validly existing under the laws of China;

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(2) Party A's execution and performance of this Agreement is within its corporate power and business scope; it has taken necessary corporate action and obtained proper authorization as well as the consents and approvals of third parties and government departments; it does not violate any legal or corporate restrictions binding upon or affecting it; and

(3) Upon execution, this agreement shall constitute Party A's legal, valid and binding obligations that may be enforced against it in accordance with the terms hereof.

7.2 Party B represents and warrants that:

(1) Party B is a company registered and validly existing under the laws of China;

(2) Party B's execution and performance of this Agreement is within its corporate power and business scope; it has taken necessary corporate action and obtained proper authorization as well as the consents and approvals of third parties and government departments; it does not violate any legal or corporate restrictions binding upon or affecting it; and

(3) Upon execution, this agreement shall constitute Party B's legal, valid and binding obligations that may be enforced against it in accordance with the terms hereof.

## **Section 8 – Liability for Breach**

8.1 Either Party's direct or indirect violation of any provisions hereof or failure to perform its obligation hereunder or failure to perform such obligation in a timely and adequate manner shall constitute breach of this Agreement. The non-breaching Party ("Non-Breaching Party") shall have the right to require the breaching Party ("Breaching Party") by written notice to redress its breach.

8.2 After the occurrence of the breach, if, according to the reasonable and objective judgment of the Non-Breaching Party, such breach has made it impossible or unfair for the Non-Breaching Party to perform its relevant obligations hereunder, then the Non-Breaching Party shall have the right to notify the Breaching Party in writing that the Non-Breaching Party will suspend the performance of its relevant obligations hereunder until the Breaching Party ceases such breach.

8.3 Party B's liability arising out of this Agreement shall be limited to the amount of service fee received by Party B hereunder. In no event shall Party B be liable for any special, incidental, indirect or direct damages arising out of this Agreement.

## **Section 9 – Force Majeure**

9.1 "Force Majeure" means any event that is beyond the reasonable control of the Parties hereto, unable to be foreseen or unable to be overcome even foreseen, which impedes, affects or delays either Party's performance of all or part of its obligations under this Agreement. Such event includes without limitation any government act, act of God, war, hacker attack or any other similar event.

9.2 The Party affected by a Force Majeure event may suspend the performance of its relevant obligations hereunder that cannot be performed due to the Force Majeure until the effect of such Force Majeure event is eliminated, and shall not be held liable for such suspension. However, such Party shall use its best endeavor to overcome such event and mitigate its negative effect.

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9.3 The Party affected by a Force Majeure event shall provide the other Party with a legitimate certificate issued by a notary public (or other proper agency) in the place where such event occurs to evidence the occurrence of such Force Majeure event. If such Party cannot provide such certificate, the other Party may hold such Party liable for breach in accordance with the provisions hereof.

#### **Section 10 – Effectiveness and Term**

This Agreement shall come into effect from the date when it is signed by the Parties' authorized representatives. This Agreement shall remain effective unless it is terminated in accordance with the provisions hereof.

#### **Section 11 – Termination**

11.1 Party B shall have the right to terminate this Agreement at any time during the term of this Agreement upon fifteen (15) days' notice to Party A.

11.2 If Party A materially or continually breaches this Agreement, and fails to remedy such breach within fourteen (14) days upon receipt of Party B's notice specifying details of such breach (to the extent such breach is remediable), Party B shall have the right to terminate this Agreement immediately by sending a written notice of termination to Party A.

11.3 This Agreement may be terminated at any time by a written agreement between Party A and Party B.

#### **Section 12 – Non-solicitation**

Party A shall not take the following actions directly or indirectly in any manner for its own, any other individual or entity's account, or together with any other individual or entity: (1) causing any employee of Party B to terminate his employment with Party B by solicitation, including employing or encouraging such employee; or attempting to solicit, induce, employ or encourage any employee of Party B. (2) causing any existing or previous client of Party A to terminate its business relationship with Party B.

#### **Section 13 – Dispute Resolution**

13.1 If any dispute arises in connection with the interpretation and performance of this Agreement, the Parties hereto shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty (60) days after one Party receives the notice of the other Party requesting the beginning of discussions or any longer period agreed upon separately by the Parties, either Party shall have the right to submit such dispute to The Republic of China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the Parties.

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13.2 If any dispute arises in connection with the interpretation and performance of this Agreement, or such dispute is under arbitration, either Party shall continue to have the rights hereunder other than those in dispute and perform the obligations hereunder other than those in dispute.

#### **Section 14 – Governing Law**

The execution, validity, performance, interpretation and enforcement of this Agreement shall be governed by the laws of China.

#### **Section 15 – Assignment**

15.1 Party A shall not assign its rights and obligations hereunder to any third party without Party B's prior written consent.

15.2 Party A hereby agrees that Party B may assign its rights and obligations hereunder to any third party at its sole discretion, and Party B only needs to send a written notice to Party A upon such assignment without obtaining Party A's consent.

15.3 This Agreement shall inure to and be binding upon the Parties and their respective successors and permitted assigns.

#### **Section 16 – Severability**

If any provision herein becomes partly or wholly invalid or unenforceable for violation of laws or government regulations or other reasons, then the part of such provision that is affected shall be deemed as deleted. However, the deletion of such part of such provision shall not affect the legal effect of other parts of such provision or the other provisions herein. The Parties shall cease to execute such invalid or unenforceable provision, and modify such provision so that it has the closest intent to the original provision and becomes valid and enforceable under relevant facts and circumstances.

#### **Section 17 – Amendment and Supplement**

The Parties may amend and supplement this Agreement by written agreement. Any amendments or supplements in connection with this Agreement that are duly signed by the Parties are part of this Agreement, and shall have the same force and effect as this Agreement.

#### **Section 18 – Miscellaneous**

18.1 The headings herein are for convenience only, and shall not affect the interpretation of any provisions hereof.

18.2 Unless otherwise provided herein, either Party's failure to exercise or delay in exercising any of its rights or powers hereunder shall not be construed as a waiver of such rights or powers. Any single or partial exercise of any rights or powers shall not preclude the exercise of other rights or powers.

18.3 This Agreement shall supersede any prior or concurrent verbal or written agreement, understanding and communication between the Parties in connection with this Agreement.

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IN WITNESS HEREOF, the duly authorized representatives of the Parties have executed this Agreement on the date first above written.

**Party A: Beijing Ambow Shida Education Technology Co., Ltd.**

**(Corporate Seal)**

Authorized Representative:  /s/ \_\_\_\_\_

**Party B: Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative:  /s/ \_\_\_\_\_

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**Scope of Service**

1. Providing Party A with programs relating to education and training;
  2. Providing Party A's employees with proper training, technical support and assistance, including without limitation training and technical support for education programs;
  3. Providing Party A with administration and consulting services necessary for Party A's business operations, including without limitation administration and consulting for education programs; and
  4. Other arrangements relating to technology services subject to mutual consent.
-

**The calculation and payment method of technical service fee**

1. Party B shall provide Party A with bills in the light of the service price by mutual consent and the actual workload;
  2. Party A shall pay the relevant service fee in accordance with the date and the amount prescribed by the bill;
  3. Party A and Party B may make other arrangements relating to the payment of the service fee subject to mutual consent.
-

**Share Pledge Agreement**

**Between**

**Beijing BoheLe Science and Technology Co. Ltd.**

**And**

**Xuejun Xie & Jianguo Xue**

**June 15, 2020**

This Share Pledge Agreement (this “Agreement”) is entered into by and among the following parties on June 15, 2020:

**Pledgee: Beijing BoheLe Science and Technology Co. Ltd.**

Legal Representative: Xuejun Xie

Principal Office: Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China

**Pledgor 1: Xuejun Xie**

ID number: 510102196610258005

Address: Room 205, Unit 3, Tower 39, No. 5, Jing’an Road, Jinjiang District, Chengdu, China

**Pledgor 2: Jianguo Xue**

ID number: 630121196609190013

Address: No. 64, Xijiaominxiang, Xicheng District, Beijing, China

**(Pledgor 1 and Pledgor 2 are collectively referred to as “Pledgors”)**

WHEREAS:

- (1) Beijing BoheLe Science and Technology Co. Ltd. entered into Technology Service Agreement with Beijing Ambow Shida Education Technology Co., Ltd. (“Shida Ambow”) and the companies and schools directly or wholly owned or controlled by Shida Ambow (“Subsidiaries”) respectively on June 15, 2020;
  - (2) Pledgor 1 and Pledgor 2 are shareholders of Shida Ambow, holding 90% and 10% of the equity interest in Shida Ambow respectively;
  - (3) Pledgors agree to pledge all of their equity interests in Shida Ambow to Pledgee as a security for Shida Ambow and its Subsidiaries’ performance of their obligations under the Technology Service Agreement.
-



NOW THEREFORE, the Parties agree as follows after friendly consultations:

### **1. Definitions**

Unless otherwise specified herein, all of the following terms shall have the meanings defined below.

1.1 "Secured Debt" means the payment obligation and other relevant obligations to Pledgee assumed by Shida Ambow and its Subsidiaries under the aforementioned Technology Service Agreement, liquidated damage and other relevant costs, and all costs (including attorney fees) and other amounts paid by Pledgee to realize Pledgee's rights under Technology Service Agreement in the event that Shida Ambow and its Subsidiaries commit a breach. If Shida Ambow controls new Subsidiaries by means of acquisition or incorporation or otherwise in the future and such new Subsidiaries enter into a new Technology Service Agreement with Pledgee, then such new Subsidiaries' obligations under the new Technology Service Agreement will be automatically included in the "Secured Debt" herein.

1.2 "Pledged Equity" means the 100% equity owned by Pledgors and all rights relating to such equity. With Pledgee's prior consent, Pledgors may increase the capital of the company. The increment in the company's registered capital as a result of Pledgors' additional contributions shall also be deemed part of the pledge.

### **2. Equity Pledge**

2.1 Each Pledgor hereby pledges the Pledged Equity to Pledgee ("Pledge") as a security for the full discharge of the Secured Debt.

2.2 Pledgors undertake to Pledgee that Pledgors' execution of this Agreement and performance of the obligations hereunder have been approved by the other shareholders of Shida Ambow, and they will cause Shida Ambow to record the equity pledge hereunder on the shareholders' register of Shida Ambow. Pledgors and Shida Ambow shall deliver the shareholders' register recording the equity pledge hereunder to Pledgee for safekeeping upon execution of this Agreement;

2.3 The Parties agree to register or cause to register the Pledge hereunder with the administrative authorities for industry and commerce in the place where Shida Ambow is registered. The Pledge hereunder is established at the time when the Pledge is registered with the administrative authorities for industry and commerce in the place where Shida Ambow is registered. Pledgors, Pledgee and Shida Ambow shall promptly register the Pledge hereunder with the administrative authorities for industry and commerce upon execution of this Agreement. The Parties also acknowledge that, upon execution of this Agreement, the Parties will not raise any question or objection to the effectiveness of this Agreement because of failure to register the Pledge hereunder with the administrative authorities for industry and commerce in the place where Shida Ambow is registered.

### **3. Scope of Security**

The Pledged Equity hereunder offers security for:

3.1 The Secured Debt defined in Section 1.1 hereof; and

3.2 The costs paid by Pledgee to realize the pledge to which Pledgee is entitled hereunder.

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#### **4. Term of Pledge**

The term of valid existence of the pledge to which Pledgee is entitled hereunder is from the effective date of this Agreement to the date all Secured Debt is fully discharged ("Term of Pledge"). Pledgee shall exercise the pledge hereunder within the limitation of action for the Secured Debt.

#### **5. Exercise of Pledge**

5.1 If (a) Shida Ambow and its Subsidiaries fail to perform their payment obligation or other related obligations to Pledgee in accordance with the provisions of Technology Service Agreement, or (b) Pledgors breach their duties or obligations hereunder, Pledgee shall have the right to exercise the pledge in any manner at any time it deems appropriate to the extent permitted by applicable laws during the Term of Pledge, including without limitation:

5.1.1 To negotiate with Pledgors to discharge the Secured Debt with the Pledged Equity at a discount;

5.1.2 To sell off the Pledged Equity and use the proceeds thereof to discharge the Secured Debt;

5.1.3 To retain a relevant agency to auction all or part of the Pledged Equity; and/or

5.1.4 To otherwise dispose of the Pledged Equity appropriately to the extent permitted by applicable laws.

5.2 In the course of Pledgee's disposal of the Pledged Equity as specified in the preceding section, Pledgee shall have the right to take any actions permitted by law to realize any of its rights hereunder.

5.3 As requested by Pledgee, Pledgors shall assist Pledgee in obtaining all necessary approvals or consents in connection with Pledgee's realization of its rights to debt and pledge.

5.4 All amounts received due to Pledgee's exercise of its pledge shall be used in the following order of priority subject to the other provisions hereof:

5.4.1 First, such amounts shall be used to pay all taxes and costs incurred by Pledgee because of its exercise of the pledge and/or other rights hereunder;

5.4.2 Second, such amounts shall be used by Pledgee to discharge the Secured Debt according to law;

5.4.3 If there is any balance after the discharge of the Secured Debt, such balance shall be paid to Pledgors or anyone who is entitled to such balance (without interest).

#### **6. Termination of Pledge**

6.1 The pledge shall be terminated automatically upon termination of Technology Service Agreement and full discharge of the Secured Debt. In such case, as requested by Pledgors, Pledgee shall sign a written document to terminate the equity pledge created hereunder and submit such document to Pledgors, or assist Pledgors in handling other procedures for terminating the equity pledge hereunder.

6.2 Subject to the provisions in the preceding paragraph, the equity pledge hereunder shall not be terminated without Pledgee's prior written consent.

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## **7. Nature of Security**

7.1 The security created hereunder shall not be affected by any other security held by Pledgee for the Secured Debt, and shall not affect the effectiveness of any other security.

7.2 The security created hereunder and Pledgee's rights hereunder shall not be terminated or affected due to the following circumstances:

7.2.1 Any grace, termination or relief granted by Pledgee in connection with any person's debt;

7.2.2 Any amendment, modification or supplement to the Technology Service Agreement;

7.2.3 Any disposal, modification or termination of any other security in connection with the Secured Debt;

7.2.4 Pledgee reaches a settlement with any person in connection with any claims of such person;

7.2.5 Any delay, act or omission of Pledgee in the exercise of its rights;

7.2.6 Any other event that may affect Pledgors' obligations hereunder.

## **8. Special Provisions**

8.1 Without Pledgee's prior written consent, Pledgors shall not transfer any of its rights or obligations hereunder to any other party.

8.2 Pledgee shall have the right to transfer to any third party any of its rights or obligations hereunder and any of its rights or obligations under other agreements contemplated by this Agreement without Pledgor's prior consent. In such case, Pledgors must unconditionally cooperate with Pledgee in handling the procedures for the transfer of relevant rights and obligations, including without limitation signing an agreement on the change of the relevant contractual party and re-registering the equity pledge with the administrative authorities for industry and commerce.

8.3 Upon effectiveness of this Agreement, unless Pledgee makes a written decision to the contrary and notify Pledgors of such decision, Pledgors shall be obligated to continue to observe legal requirements relating to the Pledged Equity and perform all rights and obligations in connection with the Pledged Equity, and perform the due care and good faith obligations that a shareholder shall perform.

8.4 Pledgors shall promptly notify Pledgee of any event that may affect the Pledged Equity or the value thereof, or that may impede, prejudice or delay Pledgee's performance of its rights as a shareholder of Shida Ambow. Each of Pledgors hereby agrees to sign a power of attorney ("Attorney-in-fact") on the even date herewith, appointing Beijing BoheLe Science and Technology Co. Ltd. as his or her initial attorney-in-fact to: (i) exercise all voting rights it enjoys as a shareholder of Shida Ambow, and (ii) sign on behalf of such Pledgor any resolutions adopted by the shareholders' meetings of Shida Ambow, and any other documents that are related to such Pledgor's performance of his or her rights as a shareholder of Shida Ambow. The attorney-in-fact shall perform its duties in good faith, aiming to maximize the value of the Pledged Equity hereunder, and its acts shall be in compliance with applicable Chinese laws in all respects. The form of the initial Power of Attorney to be signed by each Pledgor is set forth in Appendix 1 attached hereto.

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8.5 During the term of pledge, Pledgee shall have the right to collect any yield on the Pledged Equity.

8.6 Without Pledgee's prior written consent, each Pledgor shall not perform any of the following acts:

8.6.1 Making a proposal to amend the articles of association of Shida Ambow or causing the making of such proposal; increasing or reducing its registered capital, or otherwise change its registered capital structure;

8.6.2 Creating any further security, encumbrances and any third party's rights on the Pledged Equity in addition to the pledge created hereunder;

8.6.3 Performing any act that may prejudice any rights of Pledgee hereunder, or any act that may materially affect the assets, business and/or operations of Shida Ambow;

8.6.4 Distributing dividends to the shareholders in any form; however, upon Pledgee's request, Pledgors shall immediately distribute all of its distributable profits to the shareholders.

8.7 Without Pledgee's prior written consent, each Pledgor shall not transfer or dispose of the Pledged Equity in any way.

8.8 Pledgors agree to take other necessary actions and enter into other necessary agreements to give effect to the provisions hereof and other agreements contemplated hereby.

## **9. Representations, Undertakings and Warranties**

9.1 Each Pledgor hereby represents, undertakes and warrants to Pledgee that:

9.1.1 Each Pledgor has the lawful eligibility and necessary authority to enter into this Agreement and has the capacity to fully perform any of his or her rights hereunder;

9.1.2 Each Pledgor has the sole ownership of the Pledged Equity and has lawful, complete and full ownership of the his or her pledged equity hereunder;

9.1.3 Except the pledge created hereunder, each Pledgor has not created or allowed the creation of any security rights or any third party's rights or encumbrances on the Pledged Equity without Pledgee's prior written consent; there is no dispute over the ownership of such Pledged Equity, which is not subject to any lien or other legal proceedings and can be used for pledge or transfer in accordance with applicable laws;

9.1.4 There is no existing, pending or threat of legal proceedings, arbitrations or administrative proceedings against the Pledged Equity;

9.1.5 Pledgor's execution of this Agreement, exercise of his or her rights hereunder, or performance of his or her obligations hereunder will not violate any agreements, contracts or laws and regulations applicable to Pledgor and his or her property;

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9.1.6 Upon execution of this Agreement, Pledgors shall promptly register the equity pledge hereunder with the administrative authorities for industry and commerce to cause the effective creation of the equity pledge; the pledge created hereunder shall constitute valid security for the secured Debt after the registration procedures are completed, which can be executed on its terms;

9.1.7 All documents delivered by Pledgors to Pledgee in connection with this Agreement are true, complete and correct in all material respects, and there is no omission that may cause any information therein to become incorrect or misleading in any material respect;

9.1.8 This Agreement shall constitute a legal, valid and binding obligation of Pledgors, and may be enforced in accordance with the application of Pledgee to competent authorities under this Agreement;

9.1.9 From the date of this Agreement to the expiration of the term of pledge, Pledgors shall not transfer or dispose of any part or all of the interests in the Pledged Equity to any third party without Pledgee's prior written consent;

9.2 Pledgee hereby represents, undertakes and warrants to Pledgors that:

9.2.1 Pledgee is a limited liability company duly established and validly existing, and has the authority to enter into this Agreement and is able to perform its obligations hereunder;

9.2.2 Pledgee has obtained all authorities and consents necessary for the execution and performance of this Agreement.

## **10. Liability for Breach**

10.1 Either Party's direct or indirect violation of any provisions hereof or failure to assume its obligations hereunder or failure to assume such obligations in a timely and adequate manner shall constitute breach of this Agreement. The non-breaching Party ("Non-Breaching Party") shall have the right to require the breaching Party ("Breaching Party") by written notice to redress its breach and take adequate, effective and timely measures to eliminate the consequences of such breach, and indemnify against the losses incurred by the Non-Breaching Party due to the breach of the Breaching Party.

10.2 After the occurrence of the breach, if, according to the reasonable and objective judgment of the Non-Breaching Party, such breach has made it impossible or unfair for the Non-Breaching Party to perform its relevant obligations hereunder, then the Non-Breaching Party shall have the right to notify the Breaching Party in writing that the Non-Breaching Party will suspend the performance of its relevant obligations hereunder until the Breaching Party ceases such breach and takes adequate, effective and timely measures to eliminate the consequences of such breach, and indemnify against the losses incurred by Non-Breaching Party due to the breach.

10.3 The losses incurred by the Non-Breaching Party which shall be indemnified against by the Breaching Party due to its breach are the direct economic losses incurred by the Non-Breaching Party due to the Breaching Party's breach and any expectable indirect losses and additional costs, including without limitation attorney fees, litigation and arbitration costs, financial costs and travel expenses, etc.

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## **11. Force Majeure**

11.1 "Force Majeure" means any event that is beyond the reasonable control of any or all Parties hereto, unable to be foreseen or unable to be overcome even foreseen, which impedes, affects or delays any party's performance of all or part of its obligations under this Agreement. Such event includes without limitation any government act, act of God, war, hacker attack or any other similar event.

11.2 The Party affected by a Force Majeure event may suspend the performance of its relevant obligations hereunder that cannot be performed due to the Force Majeure until the effect of such Force Majeure event is eliminated, and shall not be held liable for such suspension. However, such Party shall use its best endeavor to overcome such event and mitigate its negative effect.

11.3 The Party affected by a Force Majeure event shall provide the other Parties with a legitimate certificate issued by a notary public (or other proper agency) in the place where such event occurs to evidence the occurrence of such Force Majeure event. If such Party cannot provide such certificate, the other Parties may hold such Party liable for breach in accordance with the provisions hereof.

## **12. Effectiveness and Termination**

12.1 This Agreement shall come into effect after it has been duly executed by Pledgors and Pledgee. The pledge hereunder is established after the registration specified in Section 2.3 is completed.

12.2 This Agreement shall be terminated under any of the following circumstances:

12.2.1 in accordance with Section 6 hereof;

12.2.2 by mutual agreement of Pledgee and Pledgors;

12.2.3 by the consent of Pledgee.

12.3 The termination of this Agreement shall not affect the Parties' rights and obligations arising hereunder prior to the expiration date of this Agreement.

## **13. Dispute Resolution**

13.1 If any dispute arises between the Parties in connection with the interpretation and performance of the provisions hereunder, the Parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty (60) days after one Party receives the notice of the other Party requesting the beginning of discussions or as otherwise agreed, either Party shall have the right to submit such dispute to The China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the Parties.

13.2 If any dispute arises in connection with the interpretation and performance of this Agreement, or such dispute is under arbitration, either Party shall continue to have the rights hereunder other than those in dispute and perform the obligations hereunder other than those in dispute.

13.3 The conclusion, effectiveness, enforcement and interpretation of this Agreement shall be governed by the law of China.

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**14. Miscellaneous**

14.1 The headings herein are for convenience only, and shall not affect the interpretation of any provisions hereof.

14.2 The Parties may amend and supplement this Agreement by written agreement. Any amendments or supplements executed by the Parties, if any, are part of this Agreement, and shall have the same force and effect as this Agreement.

14.3 If any provision herein becomes partly or wholly invalid or unenforceable for violation of laws or government regulations or other reasons, then the part of such provision that is affected shall be deemed as deleted. However, the deletion of such part of such provision shall not affect the legal effect of other parts of such provision or the other provisions herein. The Parties shall cease to execute such invalid or unenforceable provision, and modify such provision so that it has the closest intent to the original provision and becomes valid and enforceable in connection with such facts and circumstances.

14.4 Unless otherwise provided herein, either Party's failure to exercise or delay in exercising any of its rights or powers hereunder shall not be construed as a waiver of such rights or powers. Any single or partial exercise of any rights or powers shall not preclude the exercise of other rights or powers.

14.5 This Agreement shall be binding upon the Parties and their respective successors and permitted assigns. Pledgee shall have the right to transfer to any other third party the rights hereunder and other agreements contemplated hereby at its sole discretion without Pledgors' consent.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Agreement on the date first above written.

**Pledgee:**

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative: /s/ \_\_\_\_\_

**Pledgors:**

Signature: /s/ \_\_\_\_\_  
Xuejun Xie

Signature: /s/ \_\_\_\_\_  
Jianguo Xue

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**Call Option Agreement**

**Between**

**Beijing BoheLe Science and Technology Co. Ltd.**

**And**

**Xuejun Xie & Jianguo Xue**

**June 15, 2020**

This Call Option Agreement (this “Agreement”) is entered into by the following Parties on June 15, 2020:

1. Beijing BoheLe Science and Technology Co. Ltd. (“Party A”), a limited liability company duly established and validly existing under the laws of People’s Republic of China (“China”), with its registered address at Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China, and
2. Xuejun Xie, ID number: 510102196610258005, Address: Room 205, Unit 3, Tower 39, No. 5, Jing’an Road, Jinjiang District, Chengdu, China; Jianguo Xue, ID number: 630121196609190013, Address: No. 64, Xijiaominxiang, Xicheng District, Beijing, China (each hereinafter referred to as “Party B”, and collectively, “Party B”);

WHEREAS

- A. Party B owns 100% equity interest in Beijing Ambow Shida Education Technology Co., Ltd. (“Shida Ambow”);
- B. Party B is willing to transfer their equity interests in Shida Ambow to Party A (or its affiliate or assignee) to the extent permitted by the laws of China and if such transfer is allowed under the laws of China.

Now therefore, through good faith consultations, the Parties reach an agreement on the following terms:

**Section 1 Definitions**

Unless otherwise specified in this Agreement, the following terms shall have the following meanings:

Call Option                      The right granted to Party A and/or any third party designated by Party A to subscribe for all or part of the equity interests held by Party B in Shida Ambow under the terms and conditions of this Agreement.

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China	The People's Republic of China (excluding Hong Kong, Macau and China for the purposes of this Agreement).
Laws of China	The laws, regulations and decisions made and promulgated by various Chinese legislative authorities; the administrative rules, regulations, measures and other legally binding official documents made and promulgated by various Chinese administrative authorities.
Approvals	The approvals, consents, permits and authorizations made and/or issued by relevant Chinese administrative authorities under the Chinese laws.
Equity in Shida Ambow	The equity interests held lawfully by Party B in Shida Ambow. The ratio of such equity is equivalent to the ratio of Party B's capital contributions to Shida Ambow's registered capital.
Loan Agreement	The loan agreement and any amendments thereto entered into among Party A and Party B.

## **Section 2 Grant of Call Option**

2.1 Party B hereby irrevocably and exclusively grant Party A the Call Option, the right that allows Party A and any third party designated by Party A to subscribe for all or part of the equity interest held by Party B in Shida Ambow.

2.2 To the extent permitted by the laws of China, Party A and/or any third party designated by Party A shall have the right to exercise the Call Option at any time during the term of this Agreement, to obtain necessary government approvals and complete required registration procedures (if required, including the evaluation procedures), and to obtain and maintain the Equity in Shida Ambow. Party A and/or any third party designated by Party A shall become the lawful holder of the Equity in Shida Ambow, and shall have the right to obtain all shareholder rights according to its shareholding ratio.

2.3 Without Party A's written consent, Party B shall not grant to any third party any rights, senior to or on a parity with Call Option.

## **Section 3 Consideration for the Call Option**

To the fullest extent permitted by the laws of China,, the transfer price of the Equity in Shida Ambow (or any part thereof) shall be equal to Party B's initial contribution to the registered capital of Shida Ambow in exchange for such Equity in Shida Ambow (or any part thereof) ("Contribution to Registered Capital"). The Parties agree that, to the fullest extent permitted by the Chinese laws, in connection with the transfer of any or all Equity in Shida Ambow to Party A and/or any third party designated by Party A, Party A shall have the right to offset the debt Party B owes to Party A against the transfer price for such Equity, and Party A and any third party designated by Party A shall not be required to make any cash payment to Party B separately. If the Equity in Shida Ambow is required to be valued under relevant the laws of China,, or there are any other provisions for the transfer price for such Equity, then such transfer price shall be the lowest price permitted under relevant the laws of China.

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#### **Section 4 Exercise of the Call Option**

4.1 Party A and/or any third party designated by Party A shall have the right to exercise the Call Option in any way permitted by law at any time within the term of the Call Option upon effectiveness of this Agreement.

4.2 During the term of this Agreement, Party A and/or any third party designated by Party A may exercise the Call Option in whole or part in order to obtain any or all of the equity interest for which it has the right to subscribe hereunder at one or more times.

4.3 Party A shall exercise the Call Option by delivering a subscription notice to Party B (see the form and substance of such notice in Appendix 1). Party B shall transfer to Party A and/or any third party designated by Party A the corresponding Equity in Shida Ambow as specified in the subscription notice.

4.4 Party B shall complete all procedures required for Party A and/or any third party designated by Party A to obtain the Equity in Shida Ambow and become a lawful shareholder of Shida Ambow within sixty (60) days after Party A and/or any third party designated by Party A sends the subscription notice for the exercise of the Call Option, including without limitation, adopting any necessary resolution, providing or causing or facilitating Shida Ambow to provide all necessary documents, and causing and helping Shida Ambow to obtain approvals from competent government authorities for the change of equity and handle all relevant procedures in the event that Shida Ambow is converted to a foreign-invested company due to the exercise of the Call Option.

#### **Section 5 Representations and Warranties**

5.1 Party B represents and warrants to Party A and/or any third party designated by Party A (as the case may be) as follows in connection with the Call Option as of the date of this Agreement and at the time when Party A and/or any third party designated by Party A exercises the Call Option hereunder:

- (1) Shida Ambow is a limited liability company duly established and existing under the laws of China;
  - (2) Party B has contributed the capital for his or her equity interest in Shida Ambow in full. Party A and/or any third party designated by Party A shall acquire such equity interest without any capital contribution to Shida Ambow in accordance with this Agreement;
  - (3) Except the pledge granted to Party A by the share pledge agreement entered into by Party A and Party B on June 15, 2020, Party B has not created or allowed any option, call option, pledge, or other equity interest or security interest on Equity in Shida Ambow without Party A's written consent;
  - (4) Party B hereby agrees that it shall irrevocably waive the preemptive right to purchase the Equity in Shida Ambow to which it is entitled under the laws of China and the bylaws of Shida Ambow, and allow Party A and/or any third party designated by Party A to exercise the Call Option;
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- (5) Without Party A's written consent, Party B shall not transfer the Equity in Shida Ambow to any third party;
- (6) Without Party A's written consent, Party B shall not supplement, alter or modify the Articles of Association of Shida Ambow in any form, shall not increase or decrease its registered capital, or otherwise change the structure of its registered capital;
- (7) During the term of this Agreement, Party B and Shida Ambow have not engaged in and shall not engage in any act or omission that may cause any losses to Party A or cause any reduction in value of the Equity in Shida Ambow;
- (8) Without Party A's written consent, Party B shall not incur, assume, guarantee or allow the existence of any debt other than the debt that (i) arises in the normal or routine course of business rather than out of borrowing; and (ii) has been disclosed to and approved in writing by Party A;
- (9) Shida Ambow has the right to operate all business activities within the approved business scope which it is operating or it expects to operate in the future; and
- (10) Party B shall not have the right to early terminate this Agreement.

5.2 Party A represents and warrants to Party B in connection with the execution of this Agreement as follows:

- (1) Party A is a limited liability company duly established and existing under the laws of China;
- (2) The execution and performance of this Agreement will not constitute Party A's violation of its obligations under any legally binding documents entered into with any third party, or constitute a violation of any prohibition or ruling of any administrative authorities, arbitration agencies or judicial organs.

### **Section 6 Liability for Breach**

6.1 Under any of the following circumstances, Party B shall be deemed to breach the Agreement:

- (1) Any representations or warranties made by Party B are not true or correct;
  - (2) Party B transfers the Equity in Shida Ambow to any company or individual other than Party A and/or any third party designated by Party A without Party A's prior written consent;
  - (3) Party B fails to promptly handle or facilitate Shida Ambow to handle relevant procedures upon receipt of the subscription notice from Party A and/or any third party designated by Party A in accordance with this Agreement, which would cause Party A and/or any third party designated by Party A to fail to acquire the Equity of Shida Ambow;
  - (4) Party B attempts to terminate this Agreement without Party A's consent;
  - (5) Party B violates any other provisions hereof.
-

If Party B breaches the Agreement, it shall indemnify Party A against all direct economic losses, any foreseeable indirect losses and any expenses incurred by Party A for such breach, including without limitation attorney fees, litigation and arbitration fees, financial and travel expenses.

### **Section 7 Term and Termination**

7.1 This Agreement shall come into effect as of the date when the authorized representatives of the Parties duly sign the Agreement, and shall remain effective until the termination of the Loan Agreement.

7.2 Unless otherwise provided herein, Party A shall have the right to early terminate this Agreement upon twenty (20) days' prior notice, but Party B shall not early terminate this Agreement.

### **Section 8 Force Majeure**

8.1 Force Majeure means any event (i) that is beyond the control of either or both Parties hereto; (ii) that cannot be foreseen or cannot be overcome even foreseeable; and (iii) that occurs after the date of this Agreement and prevent either Party hereto from performing this Agreement in whole or part. Force Majeure includes without limitation the occurrence of explosion, fire, flood, earthquake and other acts of God and war, civil disorder, governmental act of sovereignty, etc.

8.2 The Party affected by any Force Majeure event may suspend the performance of relevant obligations that cannot be performed due to Force Majeure until the effect of such Force Majeure event is eliminated, and shall not be held liable for such suspension. However, such Party shall use its best endeavors to overcome such event and reduce its adverse effect.

8.3 The Party affected by any Force Majeure event shall provide the other Party with a legitimate certificate issued by a notary public (or any other proper authorities) in the place where such event occurs to evidence the Force Majeure event; if such Party cannot provide such certificate, the other Party may hold such Party liable for breach of the Agreement in accordance with the provisions hereof.

### **Section 9 Governing Law**

The conclusion, effectiveness, interpretation, performance, enforcement and dispute resolution of this Agreement shall be governed by the laws of China.

### **Section 10 Dispute Resolution**

10.1 All disputes arising out of or in connection with this Agreement shall be settled by the Parties through good faith consultations. If no agreement can be reached through consultations within sixty (60) days after one Party receives a notice from other Party requesting the beginning of such consultations or as otherwise agreed by the Parties, either Party shall have the right to submit such dispute to The China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both Parties.

10.2 The arbitration costs shall be borne in accordance with the award specified in Section 10.1 above.

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10.3 While any disputes exist between the Parties, the Parties shall continue to perform duties and obligations without any dispute.

**Section 11 Miscellaneous**

11.1 No amendment, modification, addition or deletion made to this Agreement shall become effective unless the Parties sign a written document by mutual agreement.

11.2 The invalidity, ineffectiveness and unenforceability of any provisions hereof shall not affect or prejudice the other provisions' validity, effectiveness and enforceability. However, the Parties shall also cease to perform such invalid, ineffective and unenforceable provisions, and only modify such provisions to the extent the modified provisions have the closest intent to the original provisions so that they are valid, effective and enforceable under such specific facts and circumstances.

11.3 This Agreement shall be effective to and binding upon both Parties and their respective successors or permitted assigns. Party A shall have the right to transfer its rights under this Agreement and other agreements contemplated herein at its sole discretion to any third party without Party B's consent.

IN WITNESS WHEREOF, the duly authorized representatives of Party A and Party B have executed this Agreement on the date first above written.

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative:  /s/ \_\_\_\_\_

Signature:  /s/ \_\_\_\_\_  
Xuejun Xie

Signature:  /s/ \_\_\_\_\_  
Jianguo Xue

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**Appendix 1**

**Subscription Notice**

**To:**

This is to notify you that, in accordance with the Call Option Agreement (“Agreement”) entered into by you and Beijing BoheLe Science and Technology Co. Ltd. on June 15, 2020, we decide to exercise the call option under such Agreement for [all] or [part] of the equity interest in Beijing Ambow Shida Education Technology Co., Ltd. and appoint [\_\_\_\_\_] as the transferee of the target equity interest.

**Beijing BoheLe Science and Technology Co. Ltd.**  
**(Corporate Seal)**

Authorized Representative:

/s/ \_\_\_\_\_

Title:

Date:

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## Loan Agreement

This Loan Agreement (this “Agreement”) is entered into by the following parties (the “Parties”) on June 15, 2020 in the People’s Republic of China (“China”):

**Lender:** Beijing BoheLe Science and Technology Co. Ltd.

Address: Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China

**Borrower: Xuejun Xie**

ID number: 510102196610258005, Address: Room 205, Unit 3, Tower 39, No. 5, Jing’an Road, Jinjiang District, Chengdu, China

**Borrower: Jianguo Xue**

ID card number: 630121196609190013, Address: No. 64, Xijiaominxiang, Xicheng District, Beijing, China

(Xuejun Xie and Jianguo Xue are hereinafter collectively referred to as “Borrowers”.)

WHEREAS:

(1) Beijing Ambow Shida Education Technology Co., Ltd. (“Shida Ambow” or the “Company”) is a domestic enterprise lawfully established under the laws of China, with a registered capital of RMB 3 million, of which RMB 2.7 million is contributed by Xuejun Xie, representing 90% equity interest in the Company; RMB 0.3 million is contributed by Jianguo Xue, representing 10% equity interest in the Company;

(2) Lender is a wholly-owned foreign enterprise established in China;

Through friendly consultations and in the spirit of equality and mutual benefits, the Parties agree as follows:

### 1. Loan

1.1 Lender agrees to provide a loan to Xuejun Xie, the principal of which amounts to RMB 2.7 million; and to provide a loan to Jianguo Xue, the principal of which amounts to RMB 0.3 million (collectively “Loans”).

1.2 Borrowers agree to accept the aforementioned Loans provided to them respectively by Lender and assume responsibilities in connection with their respective share in the Loans.

1.3 The Parties agree that the Loans under this Agreement shall bear no interest.

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## 2. Pledge Security

Borrowers hereby undertake that the Loans hereunder shall be only used to repay the loans borrowed for purposes of making equity investment in the Company. Without Lender's prior written consent, Borrowers shall not use their equity interest in Shida Ambow to pledge, assume obligations, create any third party interests, or transfer such equity interest to any third party.

## 3. Repayment

3.1 Borrowers and Lender hereby mutually agree and acknowledge that, to the extent permitted by the laws of China, Lender shall determine at its sole discretion the timing and method of the repayment of the loan hereunder and notify Borrowers in writing of such arrangements seven (7) days in advance. Borrowers and Lender further agree that Borrowers shall not early repay the loan to Lender unless Lender notifies Borrowers in writing that the Loans hereunder have expired or as otherwise provided herein.

3.2 The Parties agree that, subject to the laws of China and necessary approvals of the Republic of China government (if applicable), if Borrowers transfer all or part of their equity interest in the Company to Lender or a third party designated by Lender in accordance with the provisions of the Call Option Agreement entered into between Borrowers and Lender on the even date herewith (including any amendments thereafter), the loan that the Borrower shall repay to Lender under this Agreement and is equivalent in amount to the price of the transferred equity interest ("Price of Transferred Shares", as defined below) shall be deemed repaid. For the purposes of this Section, the Price of Transferred Shares shall be calculated as follows: Price of Transferred Shares = Total Amount of Loans x (Number of Transferred Shares/Total Number of Shares).

3.3 If the offset of the Price of Transferred Shares provided in Section 3.2 above is not allowed under applicable the laws of China, Borrowers shall use all the proceeds from the sale of all the equity interest they have in the Company to repay the debt hereunder. After the payment of all the proceeds they receive to Lender (applicable taxes and fees deducted), Borrowers' Loans hereunder shall be deemed fully repaid.

3.4 Borrowers and Lender hereby mutually agree and acknowledge that, under any of the following circumstances, Borrowers shall repay the loan immediately:

- (1) Borrowers are dead, or have no legal capacity or restricted legal capacity;
- (2) Borrowers resign or are dismissed from Lender or an affiliate of Lender;
- (3) Borrowers commit a crime or are involved in a crime;
- (4) Any other third party claims against Borrowers for payment of any debt above RMB 100,000.

## 4. Representations and Warranties

4.1 Borrowers make the following representations and warranties to Lender and acknowledge that Lender executes and performs this Agreement in reliance on such representations and warranties:

- (1) The Company is a limited liability company duly incorporated and existing under the laws of China. Its registered capital has been fully paid in. It has obtained the capital verification report issued by a qualified accounting firm showing that the capital has been paid in full;
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- (2) The Company has completed and obtained all government approvals, authorizations, licenses, registrations and filings necessary to operate the businesses specified in its business license and to own its assets;
- (3) Borrowers lawfully hold 100% equity interest in the Company, of which Xuejun Xie holds 90% and Jianguo Xue holds 10%;
- (4) Borrowers have the right to execute and perform this Agreement; Borrower's execution and performance of this Agreement are in compliance with the articles of association and other constitution documents of Shida Ambow; Borrowers have obtained all necessary and appropriate approvals and authorizations to execute and perform this Agreement;
- (5) Borrowers' execution and performance of this Agreement shall not violate any laws, regulations, or government approvals, authorizations, notices or other government documents which they are subject to or may be affected, nor shall such execution and performance violate any agreements entered into by Borrowers with any third party or any undertakings made to any third party;
- (6) Upon execution, this Agreement shall constitute lawful, valid obligations that may be enforced against Borrowers according to law;
- (7) Except as provided in the Pledge Agreement and the Call Option Agreement, Borrowers do not place any mortgage, pledge or any other security on the equity interest it holds in the Company, do not make any offer to transfer such equity interest to any third party, do not make any warranties as to any offer of any third party to acquire such equity interest, and do not enter into any agreement with any third party in connection with the transfer of the equity interest that Borrowers hold in the Company; and
- (8) There is no actual or potential dispute, lawsuit, arbitration, administrative proceedings or any other legal proceedings relating to the equity interest that Borrowers holds in the Shida Ambow.

4.2 Lender makes the following representations and warranties to Borrowers:

- (1) It will execute and perform this Agreement within its corporate power and business scope; it has taken necessary corporate actions and appropriate authorizations and obtained consents and approvals from third parties and government departments, and it will not violate any legal and contractual restrictions which it is subject to or may be affected;
- (2) Upon execution, this Agreement shall constitute lawful, valid and binding obligations that may be enforced against Lender in accordance with the terms hereof.

#### **5. Borrowers' Undertakings**

Borrowers undertake that, during the term of this Agreement, they shall:

- (1) not sell, transfer, pledge or otherwise dispose of, or allow any other security interest to be created on the equity interest or other interests they hold in the Company other than the equity pledge and other rights created for the benefit of Lender;
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- (2) not vote to agree at any shareholders' meetings of the Company or support or sign any shareholders' resolutions that approve the sale, transfer, pledge or disposal of the legal and beneficial interests in the equity interest of the Company, or allow any other security interest to be created on such interests without Lender's prior written consent, other than to Lender or a person designated by Lender;
- (3) not vote to agree at any shareholders' meetings of the Company or support or sign any shareholders' resolutions that approve the Company's merger or affiliation with any company or the acquisition of or investment in any company without Lender's prior written consent;
- (4) notify Lender immediately of any action, arbitration or administrative proceedings in relation to the equity interest in Company that have occurred or may occur;
- (5) execute all necessary or proper documents, take all necessary or proper actions, and bring in all necessary or proper indictments or make necessary or proper defenses against all claims in order to maintain their ownership of the equity interest in the Company;
- (6) not commit any act or omission that may significantly affect the Company's assets, business and liabilities without Lender's prior written consent;
- (7) appoint any person nominated by Lender as the Board member of the Company at the request of Lender;
- (8) immediately and unconditionally transfer all of their equity interest in the Company to Lender and/or a person designated by Lender subject to and to the extent permitted by the laws of China in the event that Lender exercises the Call Option set forth herein;
- (9) not request the Company to distribute dividends or profits to them without Lender's consent;
- (10) repay Lender all equity transfer proceeds as the principal of the Loan and the interest or the cost of occupied funds permitted under the laws as soon as they transfer the equity interest in Company to Lender or a person designated by Lender; and
- (11) strictly comply with various provisions hereof, duly perform all their obligations hereunder, and not commit any act or omission that is sufficient to affect the validity and enforceability of this Agreement.

5.2 Borrowers undertake that, during the term of this Agreement, as the shareholders of Shida Ambow, they shall cause the Company:

- (1) not to supplement, alter or modify its constitutional documents in any way, or increase or decrease its registered capital, or change its capital structure in any way without Lender's prior written consent;
-

- (2) to maintain its existence in accordance with good financial and business standards and practice, and operate its business and handle its affairs diligently and efficiently;
- (3) not to sell, transfer, pledge or otherwise dispose of its lawful or beneficial interest in any assets, business or income at any time from the date hereof, or allow any other secure interest to be created on such interest without Lender's prior written consent;
- (4) not to incur, assume, guarantee or allow the existence of any obligations without Lender's prior written consent, other than (i) any obligations arising during the ordinary course of business rather than by means of loans and (ii) any obligations that have been disclosed to and approved by Lender;
- (5) to operate all its business during the ordinary course of business all the time to maintain its asset value;
- (6) not to enter into any material contract (for the purposes of this paragraph, if a contract's value is more than RMB 1 million, it shall be deemed as a material contract) without Lender's prior written consent except during the ordinary course of business;
- (7) to provide Lender with all information about its operations and financial conditions at the request of Lender;
- (8) not to merge or affiliate with any company or acquire or invest in any company without Lender's prior written consent;
- (9) not to distribute dividends to shareholders without Lender's prior written consent, and to immediately distribute all of its distributable profits to its shareholders at the request of Lender;
- (10) to notify Lender immediately of any action, arbitration or administrative proceedings in relation to its assets, business and revenue that have occurred or may occur;
- (11) to execute all necessary or proper documents, take all necessary or proper actions, and bring in all necessary or proper indictments or make necessary or proper defenses against all claims in order to maintain its ownership of all of its assets; and
- (12) to strictly comply with the service agreement and other agreements entered into with any affiliate of Lender, duly perform all its obligations under the service agreement and other agreements, and not to commit any act or omission that is sufficient to affect the validity and enforceability of the service agreement and other agreements.

## **6. Breach**

Where Borrowers fail to repay Lender the Loans in accordance with this Agreement, Borrowers shall pay Lender overdue interest at a daily rate of 0.01% for any loan which is due and payable but has not been repaid.

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## **7. Effectiveness and Termination**

This Agreement shall come into effect from the date of execution by the Parties and terminate after Borrowers fully repay the Loans under this Agreement.

## **8. Confidentiality**

8.1 Either Party agrees to use its best endeavors to take all reasonable measures to keep confidential all confidential materials and information that is known to or accessed by it by means of disclosure by the other Party (“Confidential Information”). Without the disclosing Party’s prior written consent, the receiving Party shall not disclose, give or transfer any such Confidential Information to any third party. Upon termination of this Agreement, the receiving Party shall return to the disclosing Party or destroy any documents, materials or software that may contain the Confidential Information at the disclosing Party’s request, and delete any confidential information from any relevant memory devices, and shall not continue to use such Confidential Information.

8.2 The Parties agree that this Section shall survive regardless of whether this Agreement is altered, terminated or expired.

## **9. Notices**

9.1 Any notices or other communications given by either Party as required hereunder shall be written in Chinese, and sent to the other Party’s address by personal delivery, or generally accepted courier service or facsimile.

9.2 If the notices are sent by personal delivery, they shall be deemed as effectively given on the date of delivery; if they are sent by facsimile, they shall be deemed as effectively given on the day following the date of facsimile transmission; if they are sent by courier, they shall be deemed effectively given on the day shown on the return receipt.

## **10. Governing Law and Dispute Resolution**

10.1 This Agreement shall be governed by and construed in accordance with the laws of China.

10.2 If any dispute arises between the Parties in connection with the interpretation and performance of the terms hereof, the Parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either Party shall have the right to submit such dispute to the China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both Parties.

10.3 Except the matters in dispute, the Parties shall continue to perform their respective obligations hereunder in good faith in accordance with the provisions hereof.

## **11. Miscellaneous**

11.1 Any amendment and supplement to this Agreement shall be made by written agreement duly signed by the Parties. Any signed amendment and supplement constitutes a part of this Agreement and shall have the same force and effect as this Agreement.

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11.2 Borrowers shall not assign their rights and obligations hereunder to any third party without Lender's prior written consent.

11.3 If any provisions hereof are deemed unlawful or unenforceable under applicable laws, such provisions shall be deemed deleted from this Agreement and invalid. However, this Agreement shall remain effective and shall be deemed not having such provisions from the beginning. The Parties shall discuss with each other to replace the deleted provisions with lawful and valid provisions that are acceptable to Lender.

IN WITNESS WHEREOF, the authorized representatives of the Parties have executed this Agreement on the date first above written.

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative: /s/ \_\_\_\_\_

Signature: /s/ \_\_\_\_\_  
Xuejun Xie

Signature: /s/ \_\_\_\_\_  
Jianguo Xue

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**Technology Service Agreement**

**Between**

**Beijing Le’An Operational Management Co., Ltd.**

**And**

**Beijing BoheLe Science and Technology Co. Ltd.**

**May 25, 2020**

This Technology Service Agreement (this “Agreement”) is entered into by the following parties on May 25, 2020:

(1) Beijing Le’An Operational Management Co., Ltd. (“Party A”), a limited liability company duly established and validly existing under the laws of People’s Republic of China (“China”), with its registered address at Room 1208, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China, and

(2) Beijing BoheLe Science and Technology Co. Ltd. (“Party B”), a limited liability company duly established and validly existing under the laws of China, with its registered address at Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China.

WHEREAS:

(1) Party A engages in enterprise management; sales of cultural goods and sports goods; organization of cultural and artistic exchange activities; basic software services; application software services; computer system services; property management; economic and trade consulting; enterprise management consulting; public relations services; enterprise planning and design; software development; undertaking exhibition activities; conference services; translation services; technology development, technical consultation, technical exchange, technology transfer, technology promotion, technical service; design, production, agency, distribution of advertising; construction project management; urban landscaping; repair of household appliances, electronic products, office equipment, daily necessities; rental office space; engineering survey; engineering design; human resource services;

(2) Party B has expertise and experience in software and hardware design and development;

(3) Party A and Party B (collectively referred to as the “Parties”) plan to promote their business development by mutual cooperation and developing their respective advantages.

NOW THEREFORE, the Parties agree as follows through friendly consultations:

**Section 1 – Terms of Service**

1.1 Party A hereby agrees to engage Party B as Party A’s exclusive education technology service provider, and Party B hereby agrees to accept such engagement.

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1.2 Party A agrees that Party A shall not engage any other third party as its technology service provider without Party B's prior written consent during the term of this Agreement.

1.3 Party A agrees that Party B shall have the right to provide other entities or individuals with the technology service equivalent or similar to that hereunder and to appoint other entities or individuals to provide the technology service hereunder.

## **Section 2 – Scope of Service**

See Appendix 1 for the scope of relevant technology service provided by Party B to Party A.

## **Section 3 – Service Fee**

3.1 The Parties hereto agree that the fee for the technology service hereunder shall be determined and paid as specified in Appendix 2.

3.2 If Party A fails to pay service fee and other fees in accordance with the provisions of this Agreement, Party A shall pay Party B liquidated damages at 0.05% per day for the overdue amount.

3.3 Party B shall have the right to, at its own expense, appoint one of its employees or a certified public accountant it engages ("Party B's Authorized Representative") to examine Party A's accounts in order to review the calculation method and amount of the service fee. To that end, Party A shall provide Party B's Authorized Representative with documents, accounts, records, data, etc. that are necessary to audit Party A's accounts and to determine the amount of the service fee. Unless there is any significant error, the amount of the service fee shall be as determined by Party B's Authorized Representative.

3.4 Unless as otherwise agreed by the Parties, the service fee payable to Party B by Party A hereunder shall not be subject to any deduction or offset (e.g. bank charges).

3.5 In addition to the service fee described above, Party A shall pay Party B with the actual costs incurred by Party B for rendering consulting services hereunder, including without limitation, traveling expenses, car fare, printing expenses and postage.

## **Section 4 – Confidentiality**

4.1 The Parties acknowledge that, during the term of this Agreement, either Party may obtain (1) the other Party's non-public information, technical data, trade secrets or know-how relating to the actual and expected business or research and development of either Party, including without limitation research, product plans or other information relating to either Party's products or services or promotions for products or services, customers' lists and customers, software, development, invention, processes, formula, technologies, designs, drawings, engineering, hardware configuration information, marketing, financial or other business information, and (2) any third party's confidential or proprietary information for which either Party assume confidentiality obligations and which shall be only used for certain limited purposes ("Confidential Information"). The Confidential Information does not include (1) any information that one Party already knows at the time such information is disclosed to such Party by the other Party; (2) any information that becomes public known or generally available not because of either Party's illegal conduct; or (3) the information lawfully obtained by one Party from a third party authorized to make the disclosure.

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4.2 Either Party will take reasonable measures to keep confidential the other Party's Confidential Information and prevent disclosure and unauthorized use of such Confidential Information. Without limiting the foregoing, the Parties will at least take such measures as it will take for its own Confidential Information. Unless as reasonable required for the performance of its obligations hereunder or unless as the other Party approves in writing, neither Party shall make any copy of the other Party's Confidential Information. Either Party shall reproduce the other Party's proprietary rights notices on any approved copy in the manner in which such notice was set forth in or on the original.

4.3 Either Party shall (1) not disclose such Confidential Information to any person other than any of its directors, employees, authorized agents or independent contractors who need to know such Confidential Information to perform their duties hereunder; (2) only use Confidential Information for the purposes of fully performing its obligations hereunder; and (3) ensure any person from such Party who knows Confidential Information comply with the confidentiality obligations and other restrictive provisions hereunder as if such person were a party hereto. If one Party is required by law to disclose the other Party's Confidential Information, such Party shall promptly notify the other Party in writing of such requirement prior to the disclosure, and shall assist the other Party in securing the order to protect such information against public disclosure. Neither Party shall reverse engineer, disassemble or decompile any prototype, software or any tangible object that contains the other Party's Confidential Information and that is provided to such Party.

4.4 Either Party further agree to return to the other Party all written Confidential Information obtained from the other Party upon termination of this Agreement or at any other time requested by the other Party.

#### **Section 5 – Intellectual Property**

5.1 The Parties acknowledge and agree that Party B shall exclusively own all technical data, software, findings, inventions, developments, trade secrets, copyrights, documents and other materials improved or prepared by Party B under this Agreement, whether they are patentable or copyrighted.

5.2 If Party A makes improvements to "intellectual property", such improvements shall be Party B's exclusive proprietary property. Party A hereby transfers to Party B all of its rights, title and interests in and to such improvements.

#### **Section 6 – Independent Contractor**

The Parties expressly acknowledge and agree that Party B performs all the technology services hereunder as an independent contractor, and shall not be deemed to enter into any partnership, joint venture or other relationships of substantially the same or similar nature with Party A.

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## **Section 7 – Representations and Warranties**

7.1 Party A represents and warrants that:

- (1) Party A is a company duly registered and validly existing under the laws of China;
- (2) Party A's execution and performance of this Agreement is within its corporate power and business scope; it has taken necessary corporate action and obtained proper authorization as well as the consents and approvals of third parties and government departments; it does not violate any legal or corporate restrictions binding upon or affecting it; and
- (3) Upon execution, this agreement shall constitute Party A's legal, valid and binding obligations that may be enforced against it in accordance with the terms hereof.

7.2 Party B represents and warrants that:

- (1) Party B is a company registered and validly existing under the laws of China;
- (2) Party B's execution and performance of this Agreement is within its corporate power and business scope; it has taken necessary corporate action and obtained proper authorization as well as the consents and approvals of third parties and government departments; it does not violate any legal or corporate restrictions binding upon or affecting it; and
- (3) Upon execution, this agreement shall constitute Party B's legal, valid and binding obligations that may be enforced against it in accordance with the terms hereof.

## **Section 8 – Liability for Breach**

8.1 Either Party's direct or indirect violation of any provisions hereof or failure to perform its obligation hereunder or failure to perform such obligation in a timely and adequate manner shall constitute breach of this Agreement. The non-breaching Party ("Non-Breaching Party") shall have the right to require the breaching Party ("Breaching Party") by written notice to redress its breach.

8.2 After the occurrence of the breach, if, according to the reasonable and objective judgment of the Non-Breaching Party, such breach has made it impossible or unfair for the Non-Breaching Party to perform its relevant obligations hereunder, then the Non-Breaching Party shall have the right to notify the Breaching Party in writing that the Non-Breaching Party will suspend the performance of its relevant obligations hereunder until the Breaching Party ceases such breach.

8.3 Party B's liability arising out of this Agreement shall be limited to the amount of service fee received by Party B hereunder. In no event shall Party B be liable for any special, incidental, indirect or direct damages arising out of this Agreement.

## **Section 9 – Force Majeure**

9.1 "Force Majeure" means any event that is beyond the reasonable control of the Parties hereto, unable to be foreseen or unable to be overcome even foreseen, which impedes, affects or delays either Party's performance of all or part of its obligations under this Agreement. Such event includes without limitation any government act, act of God, war, hacker attack or any other similar event.

9.2 The Party affected by a Force Majeure event may suspend the performance of its relevant obligations hereunder that cannot be performed due to the Force Majeure until the effect of such Force Majeure event is eliminated, and shall not be held liable for such suspension. However, such Party shall use its best endeavor to overcome such event and mitigate its negative effect.

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9.3 The Party affected by a Force Majeure event shall provide the other Party with a legitimate certificate issued by a notary public (or other proper agency) in the place where such event occurs to evidence the occurrence of such Force Majeure event. If such Party cannot provide such certificate, the other Party may hold such Party liable for breach in accordance with the provisions hereof.

#### **Section 10 – Effectiveness and Term**

This Agreement shall come into effect from the date when it is signed by the Parties' authorized representatives. This Agreement shall remain effective unless it is terminated in accordance with the provisions hereof.

#### **Section 11 – Termination**

11.1 Party B shall have the right to terminate this Agreement at any time during the term of this Agreement upon fifteen (15) days' notice to Party A.

11.2 If Party A materially or continually breaches this Agreement, and fails to remedy such breach within fourteen (14) days upon receipt of Party B's notice specifying details of such breach (to the extent such breach is remediable), Party B shall have the right to terminate this Agreement immediately by sending a written notice of termination to Party A.

11.3 This Agreement may be terminated at any time by a written agreement between Party A and Party B.

#### **Section 12 – Non-solicitation**

Party A shall not take the following actions directly or indirectly in any manner for its own, any other individual or entity's account, or together with any other individual or entity: (1) causing any employee of Party B to terminate his employment with Party B by solicitation, including employing or encouraging such employee; or attempting to solicit, induce, employ or encourage any employee of Party B. (2) causing any existing or previous client of Party A to terminate its business relationship with Party B.

#### **Section 13 – Dispute Resolution**

13.1 If any dispute arises in connection with the interpretation and performance of this Agreement, the Parties hereto shall first resolve such dispute in good faith through discussions. If no agreement can be reached within sixty (60) days after one Party receives the notice of the other Party requesting the beginning of discussions or any longer period agreed upon separately by the Parties, either Party shall have the right to submit such dispute to The China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the Parties.

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13.2 If any dispute arises in connection with the interpretation and performance of this Agreement, or such dispute is under arbitration, either Party shall continue to have the rights hereunder other than those in dispute and perform the obligations hereunder other than those in dispute.

#### **Section 14 – Governing Law**

The execution, validity, performance, interpretation and enforcement of this Agreement shall be governed by the laws of China.

#### **Section 15 – Assignment**

15.1 Party A shall not assign its rights and obligations hereunder to any third party without Party B's prior written consent.

15.2 Party A hereby agrees that Party B may assign its rights and obligations hereunder to any third party at its sole discretion, and Party B only needs to send a written notice to Party A upon such assignment without obtaining Party A's consent.

15.3 This Agreement shall inure to and be binding upon the Parties and their respective successors and permitted assigns.

#### **Section 16 – Severability**

If any provision herein becomes partly or wholly invalid or unenforceable for violation of laws or government regulations or other reasons, then the part of such provision that is affected shall be deemed as deleted. However, the deletion of such part of such provision shall not affect the legal effect of other parts of such provision or the other provisions herein. The Parties shall cease to execute such invalid or unenforceable provision, and modify such provision so that it has the closest intent to the original provision and becomes valid and enforceable under relevant facts and circumstances.

#### **Section 17 – Amendment and Supplement**

The Parties may amend and supplement this Agreement by written agreement. Any amendments or supplements in connection with this Agreement that are duly signed by the Parties are part of this Agreement, and shall have the same force and effect as this Agreement.

#### **Section 18 – Miscellaneous**

18.1 The headings herein are for convenience only, and shall not affect the interpretation of any provisions hereof.

18.2 Unless otherwise provided herein, either Party's failure to exercise or delay in exercising any of its rights or powers hereunder shall not be construed as a waiver of such rights or powers. Any single or partial exercise of any rights or powers shall not preclude the exercise of other rights or powers.

18.3 This Agreement shall supersede any prior or concurrent verbal or written agreement, understanding and communication between the Parties in connection with this Agreement.

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IN WITNESS HEREOF, the duly authorized representatives of the Parties have executed this Agreement on the date first above written.

**Party A: Beijing Le'An Operational Management Co., Ltd.**

**(Corporate Seal)**

Authorized Representative: /s/ \_\_\_\_\_

**Party B: Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative: /s/ \_\_\_\_\_

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**Scope of Service**

1. Providing Party A with programs within its business scope;
  2. Providing Party A's employees with proper training, technical support and assistance, including without limitation training and technical support for education programs;
  3. Providing Party A with administration and consulting services necessary for Party A's business operations, including without limitation administration and consulting for education programs; and
  4. Other arrangements relating to technology services subject to mutual consent.
-

**The calculation and payment method of technical service fee**

1. Party B shall provide Party A with bills in the light of the service price by mutual consent and the actual workload;
  2. Party A shall pay the relevant service fee in accordance with the date and the amount prescribed by the bill;
  3. Party A and Party B may make other arrangements relating to the payment of the service fee subject to mutual consent.
-



**Share Pledge Agreement**

**Between**

**Beijing BoheLe Science and Technology Co. Ltd.**

**And**

**Yuan Hao & Yue Liu**

**May 25, 2020**

This Share Pledge Agreement (this “Agreement”) is entered into by and among the following parties on May 25, 2020:

**Pledgee: Beijing BoheLe Science and Technology Co. Ltd.**

Legal Representative: Xuejun Xie

Principal Office: Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China

**Pledgor 1: Yuan Hao**

ID number: 231026198708252320

Address: Unit 7, Lianzhushan Town Council, Mishan City, Heilongjiang Province, China

**Pledgor 2: Yue Liu**

ID number: 110108198110095417

Address: No. 206, Unit 2, No. 15 Zizhuyuannanlu, Haidian District, Beijing, China

**(Pledgor 1 and Pledgor 2 are collectively referred to as “Pledgors”)**

WHEREAS:

- (1) Beijing BoheLe Science and Technology Co. Ltd. entered into Technology Service Agreement with Beijing Le’An Operational Management Co., Ltd. (“Beijing Le’An”) and the companies and schools directly or wholly owned or controlled by Beijing Le’An (“Subsidiaries”) respectively on May 25, 2020;
  - (2) Pledgor 1 and Pledgor 2 are shareholders of Beijing Le’An, holding 60% and 40% of the equity interest in Beijing Le’An respectively;
  - (3) Pledgors agree to pledge all of their equity interests in Beijing Le’An to Pledgee as a security for Beijing Le’An and its Subsidiaries’ performance of their obligations under the Technology Service Agreement.
-

NOW THEREFORE, the Parties agree as follows after friendly consultations:

## 1. Definitions

Unless otherwise specified herein, all of the following terms shall have the meanings defined below.

1.1 "Secured Debt" means the payment obligation and other relevant obligations to Pledgee assumed by Beijing Le'An and its Subsidiaries under the aforementioned Technology Service Agreement, liquidated damage and other relevant costs, and all costs (including attorney fees) and other amounts paid by Pledgee to realize Pledgee's rights under Technology Service Agreement in the event that Beijing Le'An and its Subsidiaries commit a breach. If Beijing Le'An controls new Subsidiaries by means of acquisition or incorporation or otherwise in the future and such new Subsidiaries enter into a new Technology Service Agreement with Pledgee, then such new Subsidiaries' obligations under the new Technology Service Agreement will be automatically included in the "Secured Debt" herein.

1.2 "Pledged Equity" means the 100% equity owned by Pledgors and all rights relating to such equity. With Pledgee's prior consent, Pledgors may increase the capital of the company. The increment in the company's registered capital as a result of Pledgors' additional contributions shall also be deemed part of the pledge.

## 2. Equity Pledge

2.1 Each Pledgor hereby pledges the Pledged Equity to Pledgee ("Pledge") as a security for the full discharge of the Secured Debt.

2.2 Pledgors undertake to Pledgee that Pledgors' execution of this Agreement and performance of the obligations hereunder have been approved by the other shareholders of Beijing Le'An, and they will cause Beijing Le'An to record the equity pledge hereunder on the shareholders' register of Beijing Le'An. Pledgors and Beijing Le'An shall deliver the shareholders' register recording the equity pledge hereunder to Pledgee for safekeeping upon execution of this Agreement;

2.3 The Parties agree to register or cause to register the Pledge hereunder with the administrative authorities for industry and commerce in the place where Beijing Le'An is registered. The Pledge hereunder is established at the time when the Pledge is registered with the administrative authorities for industry and commerce in the place where Beijing Le'An is registered. Pledgors, Pledgee and Beijing Le'An shall promptly register the Pledge hereunder with the administrative authorities for industry and commerce upon execution of this Agreement. The Parties also acknowledge that, upon execution of this Agreement, the Parties will not raise any question or objection to the effectiveness of this Agreement because of failure to register the Pledge hereunder with the administrative authorities for industry and commerce in the place where Beijing Le'An is registered.

## 3. Scope of Security

The Pledged Equity hereunder offers security for:

3.1 The Secured Debt defined in Section 1.1 hereof; and

3.2 The costs paid by Pledgee to realize the pledge to which Pledgee is entitled hereunder.

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#### **4. Term of Pledge**

The term of valid existence of the pledge to which Pledgee is entitled hereunder is from the effective date of this Agreement to the date all Secured Debt is fully discharged ("Term of Pledge"). Pledgee shall exercise the pledge hereunder within the limitation of action for the Secured Debt.

#### **5. Exercise of Pledge**

5.1 If (a) Beijing Le'An and its Subsidiaries fail to perform their payment obligation or other related obligations to Pledgee in accordance with the provisions of Technology Service Agreement, or (b) Pledgors breach their duties or obligations hereunder, Pledgee shall have the right to exercise the pledge in any manner at any time it deems appropriate to the extent permitted by applicable laws during the Term of Pledge, including without limitation:

5.1.1 To negotiate with Pledgors to discharge the Secured Debt with the Pledged Equity at a discount;

5.1.2 To sell off the Pledged Equity and use the proceeds thereof to discharge the Secured Debt;

5.1.3 To retain a relevant agency to auction all or part of the Pledged Equity; and/or

5.1.4 To otherwise dispose of the Pledged Equity appropriately to the extent permitted by applicable laws.

5.2 In the course of Pledgee's disposal of the Pledged Equity as specified in the preceding section, Pledgee shall have the right to take any actions permitted by law to realize any of its rights hereunder.

5.3 As requested by Pledgee, Pledgors shall assist Pledgee in obtaining all necessary approvals or consents in connection with Pledgee's realization of its rights to debt and pledge.

5.4 All amounts received due to Pledgee's exercise of its pledge shall be used in the following order of priority subject to the other provisions hereof:

5.4.1 First, such amounts shall be used to pay all taxes and costs incurred by Pledgee because of its exercise of the pledge and/or other rights hereunder;

5.4.2 Second, such amounts shall be used by Pledgee to discharge the Secured Debt according to law;

5.4.3 If there is any balance after the discharge of the Secured Debt, such balance shall be paid to Pledgors or anyone who is entitled to such balance (without interest).

#### **6. Termination of Pledge**

6.1 The pledge shall be terminated automatically upon termination of Technology Service Agreement and full discharge of the Secured Debt. In such case, as requested by Pledgors, Pledgee shall sign a written document to terminate the equity pledge created hereunder and submit such document to Pledgors, or assist Pledgors in handling other procedures for terminating the equity pledge hereunder.

6.2 Subject to the provisions in the preceding paragraph, the equity pledge hereunder shall not be terminated without Pledgee's prior written consent.

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## **7. Nature of Security**

7.1 The security created hereunder shall not be affected by any other security held by Pledgee for the Secured Debt, and shall not affect the effectiveness of any other security.

7.2 The security created hereunder and Pledgee's rights hereunder shall not be terminated or affected due to the following circumstances:

7.2.1 Any grace, termination or relief granted by Pledgee in connection with any person's debt;

7.2.2 Any amendment, modification or supplement to the Technology Service Agreement;

7.2.3 Any disposal, modification or termination of any other security in connection with the Secured Debt;

7.2.4 Pledgee reaches a settlement with any person in connection with any claims of such person;

7.2.5 Any delay, act or omission of Pledgee in the exercise of its rights;

7.2.6 Any other event that may affect Pledgors' obligations hereunder.

## **8. Special Provisions**

8.1 Without Pledgee's prior written consent, Pledgors shall not transfer any of its rights or obligations hereunder to any other party.

8.2 Pledgee shall have the right to transfer to any third party any of its rights or obligations hereunder and any of its rights or obligations under other agreements contemplated by this Agreement without Pledgor's prior consent. In such case, Pledgors must unconditionally cooperate with Pledgee in handling the procedures for the transfer of relevant rights and obligations, including without limitation signing an agreement on the change of the relevant contractual party and re-registering the equity pledge with the administrative authorities for industry and commerce.

8.3 Upon effectiveness of this Agreement, unless Pledgee makes a written decision to the contrary and notify Pledgors of such decision, Pledgors shall be obligated to continue to observe legal requirements relating to the Pledged Equity and perform all rights and obligations in connection with the Pledged Equity, and perform the due care and good faith obligations that a shareholder shall perform.

8.4 Pledgors shall promptly notify Pledgee of any event that may affect the Pledged Equity or the value thereof, or that may impede, prejudice or delay Pledgee's performance of its rights as a shareholder of Beijing Le'An. Each of Pledgors hereby agrees to sign a power of attorney ("Attorney-in-fact") on the even date herewith, appointing Beijing BoheLe Science and Technology Co. Ltd. as his or her initial attorney-in-fact to: (i) exercise all voting rights it enjoys as a shareholder of Beijing Le'An, and (ii) sign on behalf of such Pledgor any resolutions adopted by the shareholders' meetings of Beijing Le'An, and any other documents that are related to such Pledgor's performance of his or her rights as a shareholder of Beijing Le'An. The attorney-in-fact shall perform its duties in good faith, aiming to maximize the value of the Pledged Equity hereunder, and its acts shall be in compliance with applicable Chinese laws in all respects. The form of the initial Power of Attorney to be signed by each Pledgor is set forth in Appendix 1 attached hereto.

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8.5 During the term of pledge, Pledgee shall have the right to collect any yield on the Pledged Equity.

8.6 Without Pledgee's prior written consent, each Pledgor shall not perform any of the following acts:

8.6.1 Making a proposal to amend the articles of association of Beijing Le'An or causing the making of such proposal; increasing or reducing its registered capital, or otherwise change its registered capital structure;

8.6.2 Creating any further security, encumbrances and any third party's rights on the Pledged Equity in addition to the pledge created hereunder;

8.6.3 Performing any act that may prejudice any rights of Pledgee hereunder, or any act that may materially affect the assets, business and/or operations of Beijing Le'An;

8.6.4 Distributing dividends to the shareholders in any form; however, upon Pledgee's request, Pledgors shall immediately distribute all of its distributable profits to the shareholders.

8.7 Without Pledgee's prior written consent, each Pledgor shall not transfer or dispose of the Pledged Equity in any way.

8.8 Pledgors agree to take other necessary actions and enter into other necessary agreements to give effect to the provisions hereof and other agreements contemplated hereby.

## **9. Representations, Undertakings and Warranties**

9.1 Each Pledgor hereby represents, undertakes and warrants to Pledgee that:

9.1.1 Each Pledgor has the lawful eligibility and necessary authority to enter into this Agreement and has the capacity to fully perform any of his or her rights hereunder;

9.1.2 Each Pledgor has the sole ownership of the Pledged Equity and has lawful, complete and full ownership of the his or her pledged equity hereunder;

9.1.3 Except the pledge created hereunder, each Pledgor has not created or allowed the creation of any security rights or any third party's rights or encumbrances on the Pledged Equity without Pledgee's prior written consent; there is no dispute over the ownership of such Pledged Equity, which is not subject to any lien or other legal proceedings and can be used for pledge or transfer in accordance with applicable laws;

9.1.4 There is no existing, pending or threat of legal proceedings, arbitrations or administrative proceedings against the Pledged Equity;

9.1.5 Pledgor's execution of this Agreement, exercise of his or her rights hereunder, or performance of his or her obligations hereunder will not violate any agreements, contracts or laws and regulations applicable to Pledgor and his or her property;

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9.1.6 Upon execution of this Agreement, Pledgors shall promptly register the equity pledge hereunder with the administrative authorities for industry and commerce to cause the effective creation of the equity pledge; the pledge created hereunder shall constitute valid security for the secured Debt after the registration procedures are completed, which can be executed on its terms;

9.1.7 All documents delivered by Pledgors to Pledgee in connection with this Agreement are true, complete and correct in all material respects, and there is no omission that may cause any information therein to become incorrect or misleading in any material respect;

9.1.8 This Agreement shall constitute a legal, valid and binding obligation of Pledgors, and may be enforced in accordance with the application of Pledgee to competent authorities under this Agreement;

9.1.9 From the date of this Agreement to the expiration of the term of pledge, Pledgors shall not transfer or dispose of any part or all of the interests in the Pledged Equity to any third party without Pledgee's prior written consent;

9.2 Pledgee hereby represents, undertakes and warrants to Pledgors that:

9.2.1 Pledgee is a limited liability company duly established and validly existing, and has the authority to enter into this Agreement and is able to perform its obligations hereunder;

9.2.2 Pledgee has obtained all authorities and consents necessary for the execution and performance of this Agreement.

## **10. Liability for Breach**

10.1 Either Party's direct or indirect violation of any provisions hereof or failure to assume its obligations hereunder or failure to assume such obligations in a timely and adequate manner shall constitute breach of this Agreement. The non-breaching Party ("Non-Breaching Party") shall have the right to require the breaching Party ("Breaching Party") by written notice to redress its breach and take adequate, effective and timely measures to eliminate the consequences of such breach, and indemnify against the losses incurred by the Non-Breaching Party due to the breach of the Breaching Party.

10.2 After the occurrence of the breach, if, according to the reasonable and objective judgment of the Non-Breaching Party, such breach has made it impossible or unfair for the Non-Breaching Party to perform its relevant obligations hereunder, then the Non-Breaching Party shall have the right to notify the Breaching Party in writing that the Non-Breaching Party will suspend the performance of its relevant obligations hereunder until the Breaching Party ceases such breach and takes adequate, effective and timely measures to eliminate the consequences of such breach, and indemnify against the losses incurred by Non-Breaching Party due to the breach.

10.3 The losses incurred by the Non-Breaching Party which shall be indemnified against by the Breaching Party due to its breach are the direct economic losses incurred by the Non-Breaching Party due to the Breaching Party's breach and any expectable indirect losses and additional costs, including without limitation attorney fees, litigation and arbitration costs, financial costs and travel expenses, etc.

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## **11. Force Majeure**

11.1 "Force Majeure" means any event that is beyond the reasonable control of any or all Parties hereto, unable to be foreseen or unable to be overcome even foreseen, which impedes, affects or delays any party's performance of all or part of its obligations under this Agreement. Such event includes without limitation any government act, act of God, war, hacker attack or any other similar event.

11.2 The Party affected by a Force Majeure event may suspend the performance of its relevant obligations hereunder that cannot be performed due to the Force Majeure until the effect of such Force Majeure event is eliminated, and shall not be held liable for such suspension. However, such Party shall use its best endeavor to overcome such event and mitigate its negative effect.

11.3 The Party affected by a Force Majeure event shall provide the other Parties with a legitimate certificate issued by a notary public (or other proper agency) in the place where such event occurs to evidence the occurrence of such Force Majeure event. If such Party cannot provide such certificate, the other Parties may hold such Party liable for breach in accordance with the provisions hereof.

## **12. Effectiveness and Termination**

12.1 This Agreement shall come into effect after it has been duly executed by Pledgors and Pledgee. The pledge hereunder is established after the registration specified in Section 2.3 is completed.

12.2 This Agreement shall be terminated under any of the following circumstances:

12.2.1 in accordance with Section 6 hereof;

12.2.2 by mutual agreement of Pledgee and Pledgors;

12.2.3 by the consent of Pledgee.

12.3 The termination of this Agreement shall not affect the Parties' rights and obligations arising hereunder prior to the expiration date of this Agreement.

## **13. Dispute Resolution**

13.1 If any dispute arises between the Parties in connection with the interpretation and performance of the provisions hereunder, the Parties shall resolve such dispute in good faith through discussions. If no agreement can be reached within sixty (60) days after one Party receives the notice of the other Party requesting the beginning of discussions or as otherwise agreed, either Party shall have the right to submit such dispute to The China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding upon the Parties.

13.2 If any dispute arises in connection with the interpretation and performance of this Agreement, or such dispute is under arbitration, either Party shall continue to have the rights hereunder other than those in dispute and perform the obligations hereunder other than those in dispute.

13.3 The conclusion, effectiveness, enforcement and interpretation of this Agreement shall be governed by the law of China.

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**14. Miscellaneous**

14.1 The headings herein are for convenience only, and shall not affect the interpretation of any provisions hereof.

14.2 The Parties may amend and supplement this Agreement by written agreement. Any amendments or supplements executed by the Parties, if any, are part of this Agreement, and shall have the same force and effect as this Agreement.

14.3 If any provision herein becomes partly or wholly invalid or unenforceable for violation of laws or government regulations or other reasons, then the part of such provision that is affected shall be deemed as deleted. However, the deletion of such part of such provision shall not affect the legal effect of other parts of such provision or the other provisions herein. The Parties shall cease to execute such invalid or unenforceable provision, and modify such provision so that it has the closest intent to the original provision and becomes valid and enforceable in connection with such facts and circumstances.

14.4 Unless otherwise provided herein, either Party's failure to exercise or delay in exercising any of its rights or powers hereunder shall not be construed as a waiver of such rights or powers. Any single or partial exercise of any rights or powers shall not preclude the exercise of other rights or powers.

14.5 This Agreement shall be binding upon the Parties and their respective successors and permitted assigns. Pledgee shall have the right to transfer to any other third party the rights hereunder and other agreements contemplated hereby at its sole discretion without Pledgors' consent.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Agreement on the date first above written.

**Pledgee:**

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative: /s/ \_\_\_\_\_

**Pledgors:**

Signature: /s/ \_\_\_\_\_  
Yuan Hao

Signature: /s/ \_\_\_\_\_  
Yue Liu

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**Call Option Agreement****Between****Beijing BoheLe Science and Technology Co. Ltd.****And****Yuan Hao & Yue Liu****May 25, 2020**

This Call Option Agreement (this “Agreement”) is entered into by the following Parties on May 25, 2020:

1. Beijing BoheLe Science and Technology Co. Ltd. (“Party A”), a limited liability company duly established and validly existing under the laws of People’s Republic of China (“China”), with its registered address at Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China, and
2. Yuan Hao, ID number: 231026198708252320, Address: Unit 7, Lianzhushan Town Council, Mishan City, Heilongjiang Province, China; Yue Liu, ID number: 110108198110095417, Address: No. 206, Unit 2, No. 15 Zizhuyuannanlu, Haidian District, Beijing, China (each hereinafter referred to as “Party B”, and collectively, “Party B”);

**WHEREAS**

- A. Party B owns 100% equity interest in Beijing Le’An Operational Management Co., Ltd. (“Beijing Le’An”);
- B. Party B is willing to transfer their equity interests in Beijing Le’An to Party A (or its affiliate or assignee) to the extent permitted by the laws of China and if such transfer is allowed under the laws of China.

Now therefore, through good faith consultations, the Parties reach an agreement on the following terms:

**Section 1 Definitions**

Unless otherwise specified in this Agreement, the following terms shall have the following meanings:

Call Option                      The right granted to Party A and/or any third party designated by Party A to subscribe for all or part of the equity interests held by Party B in Beijing Le’An under the terms and conditions of this Agreement.

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China	The People's Republic of China (excluding Hong Kong, Macau and China for the purposes of this Agreement).
Laws of China	The laws, regulations and decisions made and promulgated by various Chinese legislative authorities; the administrative rules, regulations, measures and other legally binding official documents made and promulgated by various Chinese administrative authorities.
Approvals	The approvals, consents, permits and authorizations made and/or issued by relevant Chinese administrative authorities under the Chinese laws.
Equity in Beijing Le'An	The equity interests held lawfully by Party B in Beijing Le'An. The ratio of such equity is equivalent to the ratio of Party B's capital contributions to Beijing Le'An's registered capital.
Loan Agreement	The loan agreement and any amendments thereto entered into among Party A and Party B.

## **Section 2 Grant of Call Option**

2.1 Party B hereby irrevocably and exclusively grant Party A the Call Option, the right that allows Party A and any third party designated by Party A to subscribe for all or part of the equity interest held by Party B in Beijing Le'An.

2.2 To the extent permitted by the laws of China, Party A and/or any third party designated by Party A shall have the right to exercise the Call Option at any time during the term of this Agreement, to obtain necessary government approvals and complete required registration procedures (if required, including the evaluation procedures), and to obtain and maintain the Equity in Beijing Le'An. Party A and/or any third party designated by Party A shall become the lawful holder of the Equity in Beijing Le'An, and shall have the right to obtain all shareholder rights according to its shareholding ratio.

2.3 Without Party A's written consent, Party B shall not grant to any third party any rights, senior to or on a parity with Call Option.

## **Section 3 Consideration for the Call Option**

To the fullest extent permitted by the laws of China,, the transfer price of the Equity in Beijing Le'An (or any part thereof) shall be equal to Party B's initial contribution to the registered capital of Beijing Le'An in exchange for such Equity in Beijing Le'An (or any part thereof) ("Contribution to Registered Capital"). The Parties agree that, to the fullest extent permitted by the Chinese laws, in connection with the transfer of any or all Equity in Beijing Le'An to Party A and/or any third party designated by Party A, Party A shall have the right to offset the debt Party B owes to Party A against the transfer price for such Equity, and Party A and any third party designated by Party A shall not be required to make any cash payment to Party B separately. If the Equity in Beijing Le'An is required to be valued under relevant the laws of China,, or there are any other provisions for the transfer price for such Equity, then such transfer price shall be the lowest price permitted under relevant the laws of China.

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#### **Section 4 Exercise of the Call Option**

4.1 Party A and/or any third party designated by Party A shall have the right to exercise the Call Option in any way permitted by law at any time within the term of the Call Option upon effectiveness of this Agreement.

4.2 During the term of this Agreement, Party A and/or any third party designated by Party A may exercise the Call Option in whole or part in order to obtain any or all of the equity interest for which it has the right to subscribe hereunder at one or more times.

4.3 Party A shall exercise the Call Option by delivering a subscription notice to Party B (see the form and substance of such notice in Appendix 1). Party B shall transfer to Party A and/or any third party designated by Party A the corresponding Equity in Beijing Le'An as specified in the subscription notice.

4.4 Party B shall complete all procedures required for Party A and/or any third party designated by Party A to obtain the Equity in Beijing Le'An and become a lawful shareholder of Beijing Le'An within sixty (60) days after Party A and/or any third party designated by Party A sends the subscription notice for the exercise of the Call Option, including without limitation, adopting any necessary resolution, providing or causing or facilitating Beijing Le'An to provide all necessary documents, and causing and helping Beijing Le'An to obtain approvals from competent government authorities for the change of equity and handle all relevant procedures in the event that Beijing Le'An is converted to a foreign-invested company due to the exercise of the Call Option.

#### **Section 5 Representations and Warranties**

5.1 Party B represents and warrants to Party A and/or any third party designated by Party A (as the case may be) as follows in connection with the Call Option as of the date of this Agreement and at the time when Party A and/or any third party designated by Party A exercises the Call Option hereunder:

- (1) Beijing Le'An is a limited liability company duly established and existing under the laws of China;
  - (2) Party B has contributed the capital for his or her equity interest in Beijing Le'An in full. Party A and/or any third party designated by Party A shall acquire such equity interest without any capital contribution to Beijing Le'An in accordance with this Agreement;
  - (3) Except the pledge granted to Party A by the share pledge agreement entered into by Party A and Party B on May 25, 2020, Party B has not created or allowed any option, call option, pledge, or other equity interest or security interest on Equity in Beijing Le'An without Party A's written consent;
  - (4) Party B hereby agrees that it shall irrevocably waive the preemptive right to purchase the Equity in Beijing Le'An to which it is entitled under the laws of China and the bylaws of Beijing Le'An, and allow Party A and/or any third party designated by Party A to exercise the Call Option;
  - (5) Without Party A's written consent, Party B shall not transfer the Equity in Beijing Le'An to any third party;
-

(6) Without Party A's written consent, Party B shall not supplement, alter or modify the Articles of Association of Beijing Le'An in any form, shall not increase or decrease its registered capital, or otherwise change the structure of its registered capital;

(7) During the term of this Agreement, Party B and Beijing Le'An have not engaged in and shall not engage in any act or omission that may cause any losses to Party A or cause any reduction in value of the Equity in Beijing Le'An;

(8) Without Party A's written consent, Party B shall not incur, assume, guarantee or allow the existence of any debt other than the debt that (i) arises in the normal or routine course of business rather than out of borrowing; and (ii) has been disclosed to and approved in writing by Party A;

(9) Beijing Le'An has the right to operate all business activities within the approved business scope which it is operating or it expects to operate in the future; and

(10) Party B shall not have the right to early terminate this Agreement.

5.2 Party A represents and warrants to Party B in connection with the execution of this Agreement as follows:

(1) Party A is a limited liability company duly established and existing under the laws of China;

(2) The execution and performance of this Agreement will not constitute Party A's violation of its obligations under any legally binding documents entered into with any third party, or constitute a violation of any prohibition or ruling of any administrative authorities, arbitration agencies or judicial organs.

### **Section 6 Liability for Breach**

6.1 Under any of the following circumstances, Party B shall be deemed to breach the Agreement:

(1) Any representations or warranties made by Party B are not true or correct;

(2) Party B transfers the Equity in Beijing Le'An to any company or individual other than Party A and/or any third party designated by Party A without Party A's prior written consent;

(3) Party B fails to promptly handle or facilitate Beijing Le'An to handle relevant procedures upon receipt of the subscription notice from Party A and/or any third party designated by Party A in accordance with this Agreement, which would cause Party A and/or any third party designated by Party A to fail to acquire the Equity of Beijing Le'An;

(4) Party B attempts to terminate this Agreement without Party A's consent;

(5) Party B violates any other provisions hereof.

If Party B breaches the Agreement, it shall indemnify Party A against all direct economic losses, any foreseeable indirect losses and any expenses incurred by Party A for such breach, including without limitation attorney fees, litigation and arbitration fees, financial and travel expenses.

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## **Section 7 Term and Termination**

7.1 This Agreement shall come into effect as of the date when the authorized representatives of the Parties duly sign the Agreement, and shall remain effective until the termination of the Loan Agreement.

7.2 Unless otherwise provided herein, Party A shall have the right to early terminate this Agreement upon twenty (20) days' prior notice, but Party B shall not early terminate this Agreement.

## **Section 8 Force Majeure**

8.1 Force Majeure means any event (i) that is beyond the control of either or both Parties hereto; (ii) that cannot be foreseen or cannot be overcome even foreseeable; and (iii) that occurs after the date of this Agreement and prevent either Party hereto from performing this Agreement in whole or part. Force Majeure includes without limitation the occurrence of explosion, fire, flood, earthquake and other acts of God and war, civil disorder, governmental act of sovereignty, etc.

8.2 The Party affected by any Force Majeure event may suspend the performance of relevant obligations that cannot be performed due to Force Majeure until the effect of such Force Majeure event is eliminated, and shall not be held liable for such suspension. However, such Party shall use its best endeavors to overcome such event and reduce its adverse effect.

8.3 The Party affected by any Force Majeure event shall provide the other Party with a legitimate certificate issued by a notary public (or any other proper authorities) in the place where such event occurs to evidence the Force Majeure event; if such Party cannot provide such certificate, the other Party may hold such Party liable for breach of the Agreement in accordance with the provisions hereof.

## **Section 9 Governing Law**

The conclusion, effectiveness, interpretation, performance, enforcement and dispute resolution of this Agreement shall be governed by the laws of China.

## **Section 10 Dispute Resolution**

10.1 All disputes arising out of or in connection with this Agreement shall be settled by the Parties through good faith consultations. If no agreement can be reached through consultations within sixty (60) days after one Party receives a notice from other Party requesting the beginning of such consultations or as otherwise agreed by the Parties, either Party shall have the right to submit such dispute to The China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both Parties.

10.2 The arbitration costs shall be borne in accordance with the award specified in Section 10.1 above.

10.3 While any disputes exist between the Parties, the Parties shall continue to perform duties and obligations without any dispute.

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**Section 11 Miscellaneous**

11.1 No amendment, modification, addition or deletion made to this Agreement shall become effective unless the Parties sign a written document by mutual agreement.

11.2 The invalidity, ineffectiveness and unenforceability of any provisions hereof shall not affect or prejudice the other provisions' validity, effectiveness and enforceability. However, the Parties shall also cease to perform such invalid, ineffective and unenforceable provisions, and only modify such provisions to the extent the modified provisions have the closest intent to the original provisions so that they are valid, effective and enforceable under such specific facts and circumstances.

11.3 This Agreement shall be effective to and binding upon both Parties and their respective successors or permitted assigns. Party A shall have the right to transfer its rights under this Agreement and other agreements contemplated herein at its sole discretion to any third party without Party B's consent.

IN WITNESS WHEREOF, the duly authorized representatives of Party A and Party B have executed this Agreement on the date first above written.

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative:  /s/ \_\_\_\_\_

Signature:  /s/ \_\_\_\_\_  
Yuan Hao

Signature:  /s/ \_\_\_\_\_  
Yue Liu

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**Appendix 1**

**Subscription Notice**

**To:**

This is to notify you that, in accordance with the Call Option Agreement (“Agreement”) entered into by you and Beijing BoheLe Science and Technology Co. Ltd. on May 25, 2020, we decide to exercise the call option under such Agreement for [all] or [part] of the equity interest in Beijing Le’An Operational Management Co., Ltd. and appoint [\_\_\_\_\_] as the transferee of the target equity interest.

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative:

/s/ \_\_\_\_\_

Title:

Date:

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## Loan Agreement

This Loan Agreement (this “Agreement”) is entered into by the following parties (the “Parties”) on May 25, 2020 in the People’s Republic of China (“China”):

**Lender:** Beijing BoheLe Science and Technology Co. Ltd.

Address: Room 1210, 12/F, Tower 1, Courtyard 54, Shijingshan Road, Shijingshan District, Beijing, China

**Borrower: Yuan Hao**

ID number: 231026198708252320, Address: Unit 7, Lianzhushan Town Council, Mishan City, Heilongjiang Province, China

**Borrower: Yue Liu**

ID number: 110108198110095417, Address: No. 206, Unit 2, No. 15 Zizhuyuannanlu, Haidian District, Beijing, China

(Yuan Hao and Yue Liu are hereinafter collectively referred to as “Borrowers”).)

WHEREAS:

(1) Beijing Le’An Operational Management Co., Ltd. (“Beijing Le’An” or the “Company”) is a domestic enterprise lawfully established under the laws of China, with a registered capital of RMB 5 million, of which RMB 3 million is contributed by Yuan Hao, representing 60% equity interest in the Company; RMB 2 million is contributed by Yue Liu, representing 40% equity interest in the Company;

(2) Lender is a wholly-owned foreign enterprise established in China;

Through friendly consultations and in the spirit of equality and mutual benefits, the Parties agree as follows:

### 1. Loan

1.1 Lender agrees to provide a loan to Yuan Hao, the principal of which amounts to RMB 3 million; and to provide a loan to Yue Liu, the principal of which amounts to RMB 2 million (collectively “Loans”).

1.2 Borrowers agree to accept the aforementioned Loans provided to them respectively by Lender and assume responsibilities in connection with their respective share in the Loans.

1.3 The Parties agree that the Loans under this Agreement shall bear no interest.

### 2. Pledge Security

Borrowers hereby undertake that the Loans hereunder shall be only used to repay the loans borrowed for purposes of making equity investment in the Company. Without Lender’s prior written consent, Borrowers shall not use their equity interest in Beijing Le’An to pledge, assume obligations, create any third party interests, or transfer such equity interest to any third party.

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### **3. Repayment**

3.1 Borrowers and Lender hereby mutually agree and acknowledge that, to the extent permitted by the laws of China, Lender shall determine at its sole discretion the timing and method of the repayment of the loan hereunder and notify Borrowers in writing of such arrangements seven (7) days in advance. Borrowers and Lender further agree that Borrowers shall not early repay the loan to Lender unless Lender notifies Borrowers in writing that the Loans hereunder have expired or as otherwise provided herein.

3.2 The Parties agree that, subject to the laws of China and necessary approvals of the Republic of China government (if applicable), if Borrowers transfer all or part of their equity interest in the Company to Lender or a third party designated by Lender in accordance with the provisions of the Call Option Agreement entered into between Borrowers and Lender on the even date herewith (including any amendments thereafter), the loan that the Borrower shall repay to Lender under this Agreement and is equivalent in amount to the price of the transferred equity interest ("Price of Transferred Shares", as defined below) shall be deemed repaid. For the purposes of this Section, the Price of Transferred Shares shall be calculated as follows: Price of Transferred Shares = Total Amount of Loans x (Number of Transferred Shares/Total Number of Shares).

3.3 If the offset of the Price of Transferred Shares provided in Section 3.2 above is not allowed under applicable the laws of China, Borrowers shall use all the proceeds from the sale of all the equity interest they have in the Company to repay the debt hereunder. After the payment of all the proceeds they receive to Lender (applicable taxes and fees deducted), Borrowers' Loans hereunder shall be deemed fully repaid.

3.4 Borrowers and Lender hereby mutually agree and acknowledge that, under any of the following circumstances, Borrowers shall repay the loan immediately:

- (1) Borrowers are dead, or have no legal capacity or restricted legal capacity;
- (2) Borrowers resign or are dismissed from Lender or an affiliate of Lender;
- (3) Borrowers commit a crime or are involved in a crime;
- (4) Any other third party claims against Borrowers for payment of any debt above RMB 100,000.

### **4. Representations and Warranties**

4.1 Borrowers make the following representations and warranties to Lender and acknowledge that Lender executes and performs this Agreement in reliance on such representations and warranties:

- (1) The Company is a limited liability company duly incorporated and existing under the laws of China. Its registered capital has been fully paid in. It has obtained the capital verification report issued by a qualified accounting firm showing that the capital has been paid in full;
-

(2) The Company has completed and obtained all government approvals, authorizations, licenses, registrations and filings necessary to operate the businesses specified in its business license and to own its assets;

(3) Borrowers lawfully hold 100% equity interest in the Company, of which Yuan Hao holds 60% and Yue Liu holds 40%;

(4) Borrowers have the right to execute and perform this Agreement; Borrower's execution and performance of this Agreement are in compliance with the articles of association and other constitution documents of Beijing Le'An; Borrowers have obtained all necessary and appropriate approvals and authorizations to execute and perform this Agreement;

(5) Borrowers' execution and performance of this Agreement shall not violate any laws, regulations, or government approvals, authorizations, notices or other government documents which they are subject to or may be affected, nor shall such execution and performance violate any agreements entered into by Borrowers with any third party or any undertakings made to any third party;

(6) Upon execution, this Agreement shall constitute lawful, valid obligations that may be enforced against Borrowers according to law;

(7) Except as provided in the Pledge Agreement and the Call Option Agreement, Borrowers do not place any mortgage, pledge or any other security on the equity interest it holds in the Company, do not make any offer to transfer such equity interest to any third party, do not make any warranties as to any offer of any third party to acquire such equity interest, and do not enter into any agreement with any third party in connection with the transfer of the equity interest that Borrowers hold in the Company; and

(8) There is no actual or potential dispute, lawsuit, arbitration, administrative proceedings or any other legal proceedings relating to the equity interest that Borrowers holds in the Beijing Le'An.

4.2 Lender makes the following representations and warranties to Borrowers:

(1) It will execute and perform this Agreement within its corporate power and business scope; it has taken necessary corporate actions and appropriate authorizations and obtained consents and approvals from third parties and government departments, and it will not violate any legal and contractual restrictions which it is subject to or may be affected;

(2) Upon execution, this Agreement shall constitute lawful, valid and binding obligations that may be enforced against Lender in accordance with the terms hereof.

## **5. Borrowers' Undertakings**

Borrowers undertake that, during the term of this Agreement, they shall:

(1) not sell, transfer, pledge or otherwise dispose of, or allow any other security interest to be created on the equity interest or other interests they hold in the Company other than the equity pledge and other rights created for the benefit of Lender;

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- (2) not vote to agree at any shareholders' meetings of the Company or support or sign any shareholders' resolutions that approve the sale, transfer, pledge or disposal of the legal and beneficial interests in the equity interest of the Company, or allow any other security interest to be created on such interests without Lender's prior written consent, other than to Lender or a person designated by Lender;
- (3) not vote to agree at any shareholders' meetings of the Company or support or sign any shareholders' resolutions that approve the Company's merger or affiliation with any company or the acquisition of or investment in any company without Lender's prior written consent;
- (4) notify Lender immediately of any action, arbitration or administrative proceedings in relation to the equity interest in Company that have occurred or may occur;
- (5) execute all necessary or proper documents, take all necessary or proper actions, and bring in all necessary or proper indictments or make necessary or proper defenses against all claims in order to maintain their ownership of the equity interest in the Company;
- (6) not commit any act or omission that may significantly affect the Company's assets, business and liabilities without Lender's prior written consent;
- (7) appoint any person nominated by Lender as the Board member of the Company at the request of Lender;
- (8) immediately and unconditionally transfer all of their equity interest in the Company to Lender and/or a person designated by Lender subject to and to the extent permitted by the laws of China in the event that Lender exercises the Call Option set forth herein;
- (9) not request the Company to distribute dividends or profits to them without Lender's consent;
- (10) repay Lender all equity transfer proceeds as the principal of the Loan and the interest or the cost of occupied funds permitted under the laws as soon as they transfer the equity interest in Company to Lender or a person designated by Lender; and
- (11) strictly comply with various provisions hereof, duly perform all their obligations hereunder, and not commit any act or omission that is sufficient to affect the validity and enforceability of this Agreement.

5.2 Borrowers undertake that, during the term of this Agreement, as the shareholders of Beijing Le'An, they shall cause the Company:

- (1) not to supplement, alter or modify its constitutional documents in any way, or increase or decrease its registered capital, or change its capital structure in any way without Lender's prior written consent;
-

- (2) to maintain its existence in accordance with good financial and business standards and practice, and operate its business and handle its affairs diligently and efficiently;
- (3) not to sell, transfer, pledge or otherwise dispose of its lawful or beneficial interest in any assets, business or income at any time from the date hereof, or allow any other secure interest to be created on such interest without Lender's prior written consent;
- (4) not to incur, assume, guarantee or allow the existence of any obligations without Lender's prior written consent, other than (i) any obligations arising during the ordinary course of business rather than by means of loans and (ii) any obligations that have been disclosed to and approved by Lender;
- (5) to operate all its business during the ordinary course of business all the time to maintain its asset value;
- (6) not to enter into any material contract (for the purposes of this paragraph, if a contract's value is more than RMB 1 million, it shall be deemed as a material contract) without Lender's prior written consent except during the ordinary course of business;
- (7) to provide Lender with all information about its operations and financial conditions at the request of Lender;
- (8) not to merge or affiliate with any company or acquire or invest in any company without Lender's prior written consent;
- (9) not to distribute dividends to shareholders without Lender's prior written consent, and to immediately distribute all of its distributable profits to its shareholders at the request of Lender;
- (10) to notify Lender immediately of any action, arbitration or administrative proceedings in relation to its assets, business and revenue that have occurred or may occur;
- (11) to execute all necessary or proper documents, take all necessary or proper actions, and bring in all necessary or proper indictments or make necessary or proper defenses against all claims in order to maintain its ownership of all of its assets; and
- (12) to strictly comply with the service agreement and other agreements entered into with any affiliate of Lender, duly perform all its obligations under the service agreement and other agreements, and not to commit any act or omission that is sufficient to affect the validity and enforceability of the service agreement and other agreements.

## **6. Breach**

Where Borrowers fail to repay Lender the Loans in accordance with this Agreement, Borrowers shall pay Lender overdue interest at a daily rate of 0.01% for any loan which is due and payable but has not been repaid.

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## **7. Effectiveness and Termination**

This Agreement shall come into effect from the date of execution by the Parties and terminate after Borrowers fully repay the Loans under this Agreement.

## **8. Confidentiality**

8.1 Either Party agrees to use its best endeavors to take all reasonable measures to keep confidential all confidential materials and information that is known to or accessed by it by means of disclosure by the other Party (“Confidential Information”). Without the disclosing Party’s prior written consent, the receiving Party shall not disclose, give or transfer any such Confidential Information to any third party. Upon termination of this Agreement, the receiving Party shall return to the disclosing Party or destroy any documents, materials or software that may contain the Confidential Information at the disclosing Party’s request, and delete any confidential information from any relevant memory devices, and shall not continue to use such Confidential Information.

8.2 The Parties agree that this Section shall survive regardless of whether this Agreement is altered, terminated or expired.

## **9. Notices**

9.1 Any notices or other communications given by either Party as required hereunder shall be written in Chinese, and sent to the other Party’s address by personal delivery, or generally accepted courier service or facsimile.

9.2 If the notices are sent by personal delivery, they shall be deemed as effectively given on the date of delivery; if they are sent by facsimile, they shall be deemed as effectively given on the day following the date of facsimile transmission; if they are sent by courier, they shall be deemed effectively given on the day shown on the return receipt.

## **10. Governing Law and Dispute Resolution**

10.1 This Agreement shall be governed by and construed in accordance with the laws of China.

10.2 If any dispute arises between the Parties in connection with the interpretation and performance of the terms hereof, the Parties shall negotiate in good faith to resolve such dispute. If no agreement can be reached, either Party shall have the right to submit such dispute to the China Arbitration Association for arbitration in accordance with its then effective rules. The arbitration shall be held in Beijing. The award of the arbitration shall be final and binding on both Parties.

10.3 Except the matters in dispute, the Parties shall continue to perform their respective obligations hereunder in good faith in accordance with the provisions hereof.

## **11. Miscellaneous**

11.1 Any amendment and supplement to this Agreement shall be made by written agreement duly signed by the Parties. Any signed amendment and supplement constitutes a part of this Agreement and shall have the same force and effect as this Agreement.

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11.2 Borrowers shall not assign their rights and obligations hereunder to any third party without Lender's prior written consent.

11.3 If any provisions hereof are deemed unlawful or unenforceable under applicable laws, such provisions shall be deemed deleted from this Agreement and invalid. However, this Agreement shall remain effective and shall be deemed not having such provisions from the beginning. The Parties shall discuss with each other to replace the deleted provisions with lawful and valid provisions that are acceptable to Lender.

IN WITNESS WHEREOF, the authorized representatives of the Parties have executed this Agreement on the date first above written.

**Beijing BoheLe Science and Technology Co. Ltd.**

**(Corporate Seal)**

Authorized Representative:  /s/ \_\_\_\_\_

Signature:  /s/ \_\_\_\_\_  
Yuan Hao

Signature:  /s/ \_\_\_\_\_  
Yue Liu

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## EXHIBIT 8.1

### LIST OF SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

#### Subsidiaries

1. AMBOW EDUCATION CO., LTD., a Cayman Islands company
  2. Ambow Education Ltd., a Cayman Islands company
  3. Ambow Education Management (Hong Kong) Ltd., a Hong Kong company
  4. Ambow Education (Hong Kong) Limited, a Hong Kong company
  5. GTE Holding Co., Ltd., a Hong Kong company\*
  6. Ambow Education Management Ltd., a Cayman Islands company
  7. Ambow Education Group Limited, a Hong Kong company\*
  8. Ambow College Management Limited, a Hong Kong company
  9. Ambow Training Management Limited, a Hong Kong company
  10. Beijing Ambow Chuangying Education Technology Co., Ltd., a PRC company
  11. Beijing Ambow Shengying Education Technology Co., Ltd., a PRC company
  12. Beijing BoheLe Science and Technology Co., Ltd., a PRC company
  13. Ambow Education Inc., a US company
  14. Ambow BSC Inc., a US company
  15. Bay State College Inc., a US company
  16. Ambow NSAD Inc., a US company
  17. NewSchool Architecture and Design, LLC., a US company
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\* A dormant entity without any significant business

#### Consolidated Affiliated Entities

1. Beijing Ambow Shida Education Technology Co., Ltd., a PRC company
  2. Ambow Sihua Intelligent Technology Co., Ltd., a PRC company
  3. Shanghai Ambow Education Information Consulting Co., Ltd., a PRC company
  4. Beijing Ambow Rongye Education and Technology Co., Ltd. a PRC company
  5. Beijing Ambow Zhixin Education and Technology Co., Ltd. a PRC company
  6. IValley Co., Ltd., a Taiwan company
  7. Beijing Le'An Operational Management Co., Ltd., a PRC company
-

**EXHIBIT 12.1**

**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14 and 15d-14  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Jin Huang, certify that:

1. I have reviewed this annual report on Form 20-F for the fiscal year ended December 31, 2020 of Ambow Education Holding Ltd. (the “Registrant”);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - (d) Disclosed in this annual report any change in the Registrant’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 8, 2021

/s/ Jin Huang

Name: Jin Huang

Title: President and Chief Executive Officer  
(Principal Executive Officer)

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**EXHIBIT 12.2**

**CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14 and 15d-14  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Kia Jing Tan, certify that:

1. I have reviewed this annual report on Form 20-F for the fiscal year ended December 31, 2020 of Ambow Education Holding Ltd. (the “Registrant”);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - (d) Disclosed in this annual report any change in the Registrant’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial formation; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 8, 2021

/s/ Kia Jing Tan

Name: Kia Jing Tan

Title: Chief Financial Officer

(Principal Financial Officer)

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**EXHIBIT 13.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Ambow Education Holding Ltd. (the "Company") on Form 20-F for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jin Huang, the President and Chief Executive Officer (Principal Executive Officer) of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Pursuant to the rules and regulations of the Securities and Exchange Commission, this certification is being furnished and not deemed filed.

April 8, 2021

/s/ Jin Huang

Name: Jin Huang

Title: President and Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**EXHIBIT 13.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Ambow Education Holding Ltd. (the "Company") on Form 20-F for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kia Jing Tan, the Chief Financial Officer (Principal Financial Officer) of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Pursuant to the rules and regulations of the Securities and Exchange Commission, this certification is being furnished and not deemed filed.

April 8, 2021

/s/ Kia Jing Tan

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Name: Kia Jing Tan

Title: Chief Financial Officer  
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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