

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, 2022

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)

**19925 Stevens Creek Blvd, Cupertino, CA 95014**

**United States of America**

(Address of principal executive offices)

**Dr. Jin Huang, President and Chief Executive Officer**

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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**

**(Title of Class)**

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

**None**  
**(Title of Class)**

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

**47,419,109 Class A Ordinary Shares and  
4,708,415 Class C Ordinary Shares,  
par value \$0.003 per share, as of  
December 31, 2022**

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 (§32.405 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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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.
- “Ambow” refers to Ambow Education Holding Ltd., a Cayman Island company; “we”, “us”, “our company”, “the company”, “the Group”, “our” or similar terms refer to Ambow Education Holding Ltd., its consolidated subsidiaries unless the context otherwise indicate.
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan.
- “IPO” refers to the initial public offering of our ADSs.
- “RMB” or “Renminbi” refers to the legal currency of China.
- “Sale of Ambow China” refers to the sale of all of the equity interests in Ambow Education Ltd., Ambow Education Management Ltd. and Ambow Education Group Ltd. (collectively, the “Ambow China”) to Clover Wealth Limited (the “Purchaser”) in consideration of the Purchaser paying US\$12.0 million to Ambow, as contemplated by and pursuant to the terms and conditions of a share purchase agreement dated November 23, 2022 entered into by and between Ambow and the Purchaser. The Sale of Ambow China was consummated on December 31, 2022.
- “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 through contractual arrangements (“VIE Agreements”) whose historical financial results have been consolidated in our financial statements in accordance with U.S. GAAP, including Shanghai Ambow Education Information Consulting Co., Ltd (“Ambow Shanghai”), Ambow Rongye Education and Technology Co., Ltd. (“Ambow Rongye”), Ambow Sihua Intelligent Technology Co., Ltd. (“Ambow Sihua”), Beijing Ambow Zhixin Education and Technology Co., Ltd. (“Ambow Zhixin”), Beijing OOOK Education and Technology Co., Ltd. (“Beijing OOOK”), Beijing Ambow Shida Education Technology Co., Ltd. (“Ambow Shida”), Beijing Le’an Operational Management Co., Ltd. (“Beijing Le’an”), Beijing JFR Education & Technology Co., Ltd. (“Beijing JFR”), Jinan LYZX Business Management Co., Ltd. (“Jinan LYZX”) and subsidiaries and schools they hold respectively, each a PRC company; and IValley Co., Ltd. (“IValley”), a Taiwanese company, and subsidiaries it hold respectively.
- “\$”, “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.

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 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.*
- *Our ADSs or Ordinary Shares may be delisted under the Holding Foreign Companies Accountable Act (“HFCA Act”) if the PCAOB is unable to adequately inspect audit documentation located in China. The delisting of our ADSs or Ordinary Shares, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct adequate inspections deprives our investors with the benefits of such inspections. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which was enacted on December 29, 2022 under the Consolidated Appropriations Act 2023, amends the HFCA Act and requires the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.*
- *If we fail to comply with the extensive U.S. regulatory requirements related to operating a U.S. 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.*
- *Our failure to demonstrate financial responsibility or administrative capability may result in the loss of eligibility to participate in Title IV programs.*
- *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. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

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

Not applicable.

**D. Risk Factors**

## RISKS RELATED TO OUR BUSINESS 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 students who are enrolled 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. 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 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. 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 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 college students 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, or schools, 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 revenues, lower profit margins and limit our future growth.

We 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.

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 provide valuable education to their students, we may not always accurately predict the drivers of a student’s or potential students’ decisions to choose among the range of educational and other options available to them. Our student enrollment 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 the 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 the introduction of new products and technologies with reduced costs;
- 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 from continuing operations decreased from RMB 120.2 million in 2020 to RMB 113.5 million in 2021, and further decreased to RMB 102.4 million (US\$ 14.8 million) in 2022. 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 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 experienced, in the locations in which we, our students, faculty, and employees live and 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. From the beginning of 2020, the global spread of a novel coronavirus pandemic, also known as COVID-19, had a significant effect on our business. 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 on 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, Chief Executive Officer and acting Chief Financial 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, as well as 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 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.

***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. 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 enrollment. 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 winter break and summer break. Because our 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, do not necessarily correspond with changes in our student enrollment, 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 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 brand, copyrights, patents, trade secrets, trade names 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. 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. 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 another 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 the premises used for the operation of our college campuses. 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 relevant 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 lease right-of-use assets in 2021 and 2022 from the continuing 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 2022, we recognized RMB 4.5 million on impairment loss of intangible assets. 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, 2022, we recorded share-based compensation expenses of RMB 7.5 million (US\$ 1.1 million) for the restricted stock and the unrecognized share-based compensation expenses amounted to nil as of December 31, 2022. 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 results of operation.

***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), and various interpretations of accounting standards or taxation practices 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. 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.

## 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 U.S. 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. college 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.

On January 19, 2023, Bay State College was informed its accreditation is considered to be withdrawn by The New England Commission of Higher Education ("NECHE"). For detail please refer to "Risks related to regulations of our U.S. Business - Our failure to demonstrate financial responsibility or administrative capability may result in the loss of eligibility to participate in Title IV programs".

***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.

On January 19, 2023, Bay State College was informed its accreditation is considered to be withdrawn by The New England Commission of Higher Education ("NECHE"). For detail please refer to "Risks related to regulations of our U.S. Business - Our failure to demonstrate financial responsibility or administrative capability may result in the loss of eligibility to participate in Title IV programs".

***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 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 October 13, 2020, the Department of Education 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 September 30, 2023. On January 16, 2022, the Department of Education and NewSchool executed a Program Participation Agreement, approving NewSchool's continued participation in Title IV programs with full certification through December 31, 2024. Furthermore, the Department of Education has approved the change of ownership control for Bay State College and NewSchool.

***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. The latest default rate for Bay State College published by the Department of Education is 4.7% for the fiscal year of 2022 and 3.6% for NewSchool for the fiscal year of 2022, respectively.



***Our U.S. 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 and NewSchool derived approximately 56% and 55% of their cash-basis revenues from these programs in the year of 2021, respectively. Percentages of Bay State College and NewSchool for the year of 2022 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 U.S. 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 U.S. 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) does not have 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 composited scores of Bay State College was 1.8. NewSchool was first subject to a composite score calculation for the year ending December 31, 2021 since being acquired by the Group. The audits to calculate the composited scores of Bay State College and NewSchool for the fiscal year of 2021 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.

On January 19, 2023, The New England Commission of Higher Education (“NECHE”) informed Bay State College of its intention to withdraw Bay State College’s accreditation as of August 31, 2023. The determination was based on NECHE’s opinion that the College could not come into compliance with Institutional Resources (Accreditation Standard 7) within three years. The decision has no bearing on the quality of the Bay State College’s educational program or outcomes. On March 20, 2023, the appeal panel of NECHE affirmed NECHE’s decision to withdraw Bay State College’s accreditation. Without NECHE accreditation, Bay State College will not be able to disburse Title IV funding to its students for classes after August 2023, and will not be able to disburse VA funding to its students for classes after Spring semester ends. We anticipated the annualized impact to the topline will be approximately US\$ 6.0 million with no negative impact on our bottom line. Our plan is to keep its nursing teaching staff and teaching equipment, and to partner with hospitals in creating training institutions that provide pre-service education for nursing staff.

***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 41.3% and 31.2% of the consolidated net revenues in our revenue from receipt by Bay State College and NewSchool of Title IV financial aid program funds in the year of 2022, respectively, 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 ADSS

***We have disposed of our China business and currently do not conduct any business activities in China, which could negatively impact the price of our ADSs.***

On May 14, 2021, the PRC State Council promulgated the 2021 Implementing Rules for the Law for Promoting Private Education, which became effective on September 1, 2021. The 2021 Implementing Rules prohibit foreign-invested enterprises established in China and social organizations whose actual controllers are foreign parties from controlling private schools that provide compulsory education by means of mergers, acquisitions, contractual arrangements, etc. To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest in Ambow China for a cash consideration of US\$ 12.0 million (the “Sale of Ambow China”). The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs. This is a material shift of our business and may adversely affect the market price of our ordinary shares and ADSs

***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 depositary. However, the depositary 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 depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary 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.

Before the Sale of Ambow China, all of our PRC corporate entities, including Beijing Ambow Shengying Education and Technology Co., Ltd. (“Ambow Shengying”), Beijing BoheLe Science and Technology Co., Ltd. (“BoheLe”) and OOOK (Beijing) Education and Technology Co., Ltd. (“OOOK WFOE”), our VIEs and their subsidiaries, maintained 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.

***Our ADSs or Ordinary Shares may be delisted under the Holding Foreign Companies Accountable Act (“HFCA Act”) if the PCAOB is unable to adequately inspect audit documentation located in China. The delisting of our ADSs or Ordinary Shares, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct adequate inspections deprives our investors from the benefits of such inspections. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which was enacted on December 29, 2022 under the Consolidated Appropriations Act 2023, amends the HFCA Act and requires the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.***

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that a company has filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit such ordinary shares from being traded on a national securities exchange or in the over-the-counter trading market in the U.S.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. A company will be required to comply with these rules if the SEC identifies it as having a “non-inspection” year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which was enacted on December 29, 2022 under the Consolidated Appropriations Act 2023, amends the HFCA Act and requires the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC issued amendments to finalize the interim final rules previously adopted in March 2021 to implement the submission and disclosure requirements in the HFCA Act. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate completely because of a position taken by an authority in a foreign jurisdiction.

On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China, because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. The PCAOB has made such designations as mandated under the HFCA Act. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future. On August 26, 2022, the PCAOB signed the Protocol with the CSRC and the MOF of the People's Republic of China, governing inspections and investigations of audit firms based in mainland China and Hong Kong. The Protocol remains unpublished and is subject to further explanation and implementation. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and the unfettered ability to transfer information to the SEC.

On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control. The PCAOB is continuing to demand complete access in China mainland and Hong Kong moving forward and is already making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB has indicated that it will act immediately to consider the need to issue new determinations with the HFCAA if needed. Therefore, the PCAOB may in the future determine that it is unable to inspect or investigate completely registered public accounting firms in mainland China and Hong Kong.

Our auditor, Marcum Asia CPAs LLP, the independent registered public accounting firm that issued the audit report included elsewhere in the annual report, an auditor of companies that are traded publicly in the United States and a U.S.-based accounting firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is headquartered in Manhattan, New York and is subject to inspection by the PCAOB on a regular basis with the last inspection in 2020. As a result, we do not expect to be identified as a "Commission-Identified Issuer" under the HFCAA for the fiscal year ended December 31, 2022 after we file our annual report on Form 20-F for such fiscal year.



## 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, 2022 and concluded that our internal control over financial reporting was effective as of December 31, 2022. 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.

***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.

***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.

***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 programs, 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 U.S. 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 programs.***

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 programs 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.***

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, 2022. 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, 2022 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.”

***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 depositary. Upon receipt of your voting instructions, the depositary 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 depositary 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 depositary to vote your shares. In addition, the depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary 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**

Ambow Education Holding Ltd. is not an operating company but a Cayman Islands holding company with operations primarily conducted by its subsidiaries in US. Investors in our securities should be aware that they may never directly hold equity interests in our operating entities, but rather purchasing equity solely in Ambow Education Holding Ltd., our Cayman Islands holding company, which does not directly own substantially all of our business conducted by our US subsidiaries. Before the Sale of Ambow China, we operated our business in China through our PRC subsidiaries and our VIEs, and relied on contractual arrangements among our PRC subsidiaries, the VIEs and VIEs' shareholders to operate our business in China. We sold all our assets and operations in China through the Sale of Ambow China, which was consummated on December 31, 2022. As a result, we ceased controls of all the VIEs. As of the date of this annual report, we do not have any business operations and/or assets in China.

##### **B. 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. Ambow NSAD Inc. is a 100% subsidiary of us. 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 19- 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.

On May 14, 2021, the PRC State Council promulgated the 2021 Implementing Rules for the Law for Promoting Private Education, which became effective on September 1, 2021. The 2021 Implementing Rules prohibit foreign-invested enterprises established in China and social organizations whose actual controllers are foreign parties from controlling private schools that provide compulsory education by means of mergers, acquisitions, contractual arrangements, etc. To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest in Ambow China for a cash consideration of US\$12.0 million. The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

In 2021, AECL changed its name to OOOK Holding Co., Ltd. GTE Holding Co., Ltd., 100% subsidiary of AECL and registered in Hong Kong, changed its name to OOOK Intelligent Co., Ltd. Beijing Ambow Chuangying Education and Technology Co., Ltd. ("Ambow Chuangying"), one of the company's Wholly Owned Foreign Enterprises ("WOFEs") in China, changed its name to OOOK (Beijing) Education and Technology Co., Ltd. ("OOOK WOFE") and became 100% subsidiary of OOOK Intelligent Co., Ltd.

On November 23, 2022, we entered into a share purchase agreement with Clover Wealth Management (the "Purchaser"). Pursuant to the Purchase Agreement, we have agreed to sell all of our equity interests in Ambow Education Ltd., Ambow Education Management Ltd. and Ambow Education Group Ltd. (collectively, the "Ambow China") to the Purchaser in consideration of the Purchaser paying US\$12.0 million in cash to the Company (the "Sale of Ambow China"). The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and ceased control over the VIEs. As of the date of this annual report, we do not have any business operations and/or assets in China.



## Principal Executive Office

Our principal executive offices are located at 19925 Stevens Creek Blvd, Cupertino, CA 95014, United State of America. Our telephone number at this address is +1 628-888-4587. Our registered office of the Cayman Islands companies is ICS Corporate Services (Cayman) Limited, 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1—1203. Our registered office telephone number is + 86 21 6428 9510-815.

## 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

We are a provider of solution that facilitate hybrid online and offline learning as well as content development in the higher education and workforce training industries. We position ourselves at the forefront of future education trends towards an integrated, hybrid model of education and workforce training. We are going to grow our business through our fully-integrated hybrid education delivery and content development platform, HybriU, through which we aim to break down traditional boundaries between online and offline learning, academic and industry training, and language and regions to meet the evolving needs of learners and educators.

HybriU eliminates traditional boundaries between languages and regions, making education and training accessible to a global audience regardless of location or native language. We believe the platform's simultaneous content creation capabilities can help educators create and share content more efficiently and effectively. This aspect of our platform is particularly beneficial in workforce training, where employees need to learn new skills quickly and efficiently to keep up with rapidly changing job requirements.

On November 23, 2022, we entered into a share purchase agreement with the Purchaser to sell all of our equity interests in Ambow China to the Purchaser in consideration of US\$ 12.0 million in cash. The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China. As of the date of this annual report, we do not have any business operations and/or assets in China.

As of December 31, 2022, we had three career enhancement college campuses (in the U.S.), which resulted in only one reportable segment. We recorded total net revenues of RMB 113.5 million and RMB 102.4 million (US\$ 14.8 million) in 2021 and 2022 from continuing operations, respectively.

## Our services and products

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 based in San Diego, California, with programs in Architecture, Construction Management, Product Design, Graphic Design & Interactive Media, and Interior Architecture and Design.

Our major business growth in the future is through the offering of a fully integrated hybrid education delivery and content development platform called HybriU. HybriU is a comprehensive system which integrated both software and hardware components driven by embedded AI algorithm. It can provide simultaneous content creation while teaching online or offline, as well as instant AI translation. By breaking down traditional boundaries between different languages and regions, HybriU can make education and training more accessible to a global audience, regardless of their location or native language. Moreover, by offering simultaneous content creation, HybriU can help educators create and share content more efficiently and effectively, this could be particularly beneficial in the context of workforce training, where employees may need to learn new skills quickly and efficiently in order to keep up with rapidly changing job requirements. The system also provides a full length image of the instructor which provides complete immersive experience for students to interact with the instructor. It uses cloud-based learning engine to utilize a vast database to create adaptive, interactive teaching program which modified itself by continuously “sensing” a student’s ability to absorb new information customize for a student or classroom’s learning ability, knowledge and goals. HybriU is ideally suited for large, top-tier US universities, as well as regional colleges that offer career-oriented programs in fields. It is also suitable for workforce training.

Intelligent technology is changing education as the traditional learning environment no longer restricts students. 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.

Before the Sale of Ambow China, we offered a variety of educational and career enhancement services and products to students, recent graduates, corporate employees and management professionals in China. Our educational services covered K-12 programs and tutoring services that provided test preparation and tutoring programs, which were offered in our tutoring centers as part of our primary educational services and product offerings to help students enroll in better schools. In addition, we offered 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 in obtaining better jobs were offered through our dedicated career enhancement centers and training offices on campus, and through our online programs. Our corporate training services that were designed to improve employees' and management teams' soft skills were typically offered in our training offices, the corporate clients' offices or hotel conference centers, etc. To support our educational and career enhancement services and products, we provided a cloud-based learning engine to accommodate our students' individual learning habits and enrich their learning experience. As of December 31, 2022, we have disposed all our K-12 schools, career enhancement centers and training offices. After the Sale of Ambow China, we offer career-oriented post-secondary educational services to undergraduates through Bay State College and NewSchool in the U.S.

### **Student recruitment and retention**

We employ a variety of marketing and recruiting methods to attract students and increase enrollment in our schools. We believe prospective students are attracted to schools due to our strong brand name, innovative teaching and learning models and practices, and high-quality, individualized services. With the deployment and utilization of HybriU, a rapid increase in the number of out-of-state students, international students, and auditors enrollment is expected in the future. The longer and more frequently a student uses our services and products, the more effective and efficient the services and content we provide them, thus enhancing students' stickiness to utilize our services throughout their learning cycle.

### **Our technology infrastructure**

#### *HybriU Education Technology Platform*

We remain dedicated to offering connective technology that can dramatically decrease the historical barriers between online and offline education, languages, regions, academia and industry. During 2022, we transitioned our business to an exclusive focus on operations in the U.S., powered by our HybriU education technology platform. HybriU's first-to-market, patented technology solutions are ideally positioned to meet the rapidly growing global demand for higher education and workforce training. As the education market begins to grow beyond purely online and offline models of learning, HybriU's advanced platform capabilities place Ambow at the forefront of the global education market's transition toward a hybrid learning model.

Designed to address the specific needs of colleges, universities and corporations across the world, HybriU empowers these institutions to convert traditional teaching and training facilities into hybrid classrooms and laboratories in a scalable, affordable manner. The platform provides instant AI translation, simultaneous content creation and SaaS-based right-fit IT solutions. To date, HybriU has been deployed at Ambow's fully owned and operated U.S.-based schools, providing case studies in success for Ambow's potential scope and reach.

We are targeting deployment of our HybriU solution in large U.S. markets such as leading colleges, universities and corporations, and particularly those that have historically relied on offline instruction and training. This includes top-tier universities that wish to make their courses available to audit students, as well as smaller colleges that need to increase their enrollment through out-of-state and international students. In addition, we are seeking to deploy HybriU in industry-leading corporations, helping to connect the global workforce with regional or international offices, outside trainers, or academic institutions.

We continue to offer post-secondary educational services to undergraduates through our wholly owned New School of Architecture & Design in San Diego.

We believe HybriU's connective technology will be invaluable in decreasing the traditional barriers that have existed between students and employees from different regional and linguistic backgrounds, and that it will help to facilitate a global transition toward hybrid education and training.

### **Intellectual property**

We have developed our proprietary technology over the past decade. Our brand, tradename, and other intellectual property rights distinguish our services and products from those of our competitors, contributing to our competitive advantages 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.

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). As well as 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. There can also be no assurance that competitors will not develop similar intellectual properties independently. 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 education market, we selectively and systematically market HybriU and build our brand names through a range of different marketing programs. By doing so, we intend to continue implementing a standard corporate identity across all nations. Our marketing efforts across different national markets focus primarily on:

- Sponsoring charity and social events and forums around key educational events to build up our corporate image as trustworthy;
- Enhancing the brands and products promotion through search engine optimization on major internet search engines such as Google, etc;
- Promotion through social media platforms and cooperate with social media influencer to maintain close interactions with potential users;
- Provide trial use of our products through website and marketing events to attract interested customers;
- Hosting industry summits with key corporate partners and participating in prestigious education conferences and events;

### **Competition**

We face direct competition in each geographic market and each business segment in which we operate. We believe that the principal competitive factors in our markets include the following:

- Alignment of individualized programs, services and products to the specific needs of students, parents, educators and employers;
- Overall customer experience;

- Scope and quality of programs, 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.

Our core proprietary technology, “HybriU,” is unique to the education service industry. It allows for simultaneous content creation, instant AI translation, and other advanced features, empower the emerge of hybrid professional managers (HPM), which online contents can be seamlessly generated during classroom or laboratory teaching, without the need for separate online courses or training programs. As the first provider of HPM, we are well positioned to become a leader in the field of hybrid education and learning development. We are also recognized for our ability to deliver a standards-based, individualized curriculum with consistently high-quality across our campus. However, some of our existing and potential competitors may have more resources than us. 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. As a result, 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 fewer educational service activities during the first quarter due to the winter break, and during the third quarter due to the summer break.

### **Regulations**

Prior to the Sale of Ambow China, we operated our business in China under a legal regime comprising the State Council, 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 MCA, the State Administration for Market Regulation (the “SAMR,” formerly known as the State Administration for Industry and Commerce (the “SAIC”)), the MOFCOM, the SAFE, and their respective authorized local counterparts. This section summarizes the principal PRC regulations relating to our prior China 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 Sino-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 (“The Education Law”), which was amended on August 27, 2009, June 1, 2016, and April 30, 2021. 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, a system of national education examination 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. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other institution of

education, and the establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, verification, approval, registration or filing.

### ***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, was revised on November 7, 2016, effective on September 1, 2017, and further amended on December 29, 2018. The Implementing Rules for the Law for Promoting Private Education became effective on April 1, 2004, and was amended on April 7, 2021, with an effective date of September 1, 2021. 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 diploma education, pre-school education, education for self-study examinations, 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. In addition, it shall be registered with the local or provincial-level counterparts of the MCA as a privately-run non-enterprise institution and issued a Private Non-Enterprise Organization Registration Certificate. Depending on the location of our private schools, the durations for our Private School Operation Licenses vary from one to two years and our Private Non-Enterprise Organization Registration Certificates vary from one to five years, 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. Furthermore, 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, a non-profit private school shall collect fees pursuant to the measures stipulated by the relevant local government.

Private schools are divided into for-profit private schools and non-profit private schools. Investors of for-profit schools may require profit from the annual net balance of the school according to the Company Law of the PRC and other regulations.

The establishment and operation of private schools shall be in accordance with the above regulations. A sponsor of a private school shall make capital contributions to the school in a timely manner. The registered capital of a private school shall be paid in full when it is formally established and shall be compatible with its type, level and scale. Any social organizations or individuals shall not control private schools that provide compulsory education or non-profit private schools that provide pre-school education through mergers or structure contracts. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights and becomes an asset of private schools.

In addition, private schools that provide compulsory education shall not conduct any transactions with their interested parties. Other private schools shall conduct transactions with their interested parties under the principles of openness, justification and fairness, which shall be conducted with reasonable pricing and through a standardized decision-making process and shall not harm the interests of the State, schools, teachers and students. Private schools shall establish information disclosure mechanisms for the transactions with their interested parties. The relevant government authorities, such as the education department, the human resources and social security departments and the financial department, shall strengthen the supervision of the execution of the agreements between non-profit private schools and their interested parties and shall review connected transactions annually.

According to the Company Law of the PRC, where a for-profit 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. If a for-profit school has an aggregate common reserve of more than 50% of its registered capital, it may elect not to draw any statutory common reserve. 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, 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.

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

### ***Several Opinions of the State Council on Encouraging Social Forces to Set Up Education and Promoting the Healthy Development of Private Education***

According to the Several Opinions of the State Council on Encouraging Social Forces to Set Up Education and Promoting the Healthy Development of Private Education, which the State Council of the PRC issued on December 29, 2016, innovative institutional mechanisms shall be implemented in the field of private education, which include but are not limited to: (i) classification registration and management shall apply to private schools, and the sponsors of private schools shall, at their own discretion, choose to run non-profit private schools or for-profit private schools; (ii) differential support policies shall apply to private schools. The people's governments at all levels are responsible for formulating and perfecting support policies for non-profit private schools, including but not limited to government subsidies, government procurement services, fund incentives, donation incentives and land allocation. At the same time, the people's governments at all levels may support the development of for-profit private schools by including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service; (iii) broaden the financing channels for private schools, encourage and attract private funds to enter into the field of private education. Furthermore, financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating income in the future or intellectual property rights, while individual persons or entities are encouraged to donate to non-profit private schools.

Local people's governments at various levels should perfect support policies for private schools, which include but are not limited to: (i) implementing the same subsidy policies for private schools, such as those students of private schools and public schools shall enjoy student loans, scholarships and other state funding policies equally; (ii) implementing incentive policies regarding taxes and fees for private schools. Private schools shall enjoy preferential tax treatments in accordance with national regulations, while non-profit private schools enjoy the same tax preferential treatments as public schools. Private schools shall be entitled to the same price policies for the use of electricity, water, gas and heat as public schools; and (iii) implementing differential land supply policies. Non-profit private schools enjoy the same land policy as public schools and may get land by way of land allocation; for-profit private schools shall get land in accordance with national regulations and policies.

#### ***Implementing Measures on Classification Registration of Private Schools***

The Implementing Measures on Classification Registration of Private Schools (the "Classification Registration Rules"), jointly issued by the MOE, the Ministry of Human Resources and Social Security of the PRC, the MCA, the State Commission Office of Public Sectors Reform and the SAIC on December 30, 2016, with effect from the same day, state the establishment of a private school is subject to approval. Private Schools approved to be established shall apply for the registration certificate or business license in accordance with the Classification Registration Rules after they are granted the license for school operation by the competent governmental authorities.

The Classification Registration Rules are also applicable to private schools, which were established before November 7, 2016 (the "Existing Private Schools"). If an Existing Private School chooses to register as a non-profit private school, it shall amend its articles of association in accordance with laws, continue its school operation, and complete the new registration formalities. If an Existing Private School chooses to register as a for-profit private school, it shall make a financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school permits, carry out their re-registration and continue their school operation. The provincial people's government is responsible for formulating detailed measures on the alteration registration of the private schools in accordance with national laws and the local situation.

#### ***Implementing Measures for the Supervision and Administration of For-profit Private Schools***

The Implementing Measures for the Supervision and Administration of For-profit Private Schools was issued jointly by the MOE, the Ministry of Human Resources and Social Security and the SAIC on December 30, 2016. These detailed the supervision and administration of for-profit private schools regarding the establishment of schools, the organization structure, the education and teaching activities, finance and assets, the information publication, the change and termination of schools and the penalties for violation.

According to the Notice on the Registration and Administration of the Name of For-Profit Private Schools, which the MOE and the SAIC jointly issued on August 31, 2017, effective from September 1, 2017, a private school shall be registered as a limited liability company or a joint stock limited company according to the Company Law of the PRC and the Law for Promoting Private Education and its name shall comply with relevant laws and regulations on company registration and education.

As of December 31, 2022 and as of the date of this annual report, we had nil schools in China.

According to the 2021 Implementing Rules, 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, while school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. Previously, we had three K-12 schools, comprising kindergarten, primary, middle and high schools. Primary and middle school education is considered compulsory education, while non-profit kindergarten and high school education are not considered compulsory education. To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest of Ambow China for a cash consideration of US\$ 12.0 million. The Sale of China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

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

On March 15, 2019, the Foreign Investment Law of the PRC was formally passed by the 13th National People’s Congress, which came into effect on January 1, 2020. Pursuant to the Foreign Investment Law, China will grant national treatment to foreign-invested entities, except for those foreign-invested entities that operate in “restricted” or “prohibited” industries prescribed in the Negative List.

According to the Foreign Investment Law, “foreign investment” refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or other organizations of a foreign country (collectively referred to as “foreign investors”) within China, and such investment activities including: (i) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) a foreign investor invests through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Although the Foreign Investment Law does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, it has a catch-all provision to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to classify contractual arrangements as a form of foreign investment.

The Foreign Investment Law also provides that the State establishes a foreign investment information report system. Foreign investors or the foreign investment enterprise shall submit investment information to the competent commerce department through the enterprise registration system and the enterprise credit information publicity system and the foreign investors or the foreign investment enterprise could be imposed a fine ranging from RMB100,000 to RMB500,000 by the competent commerce department for failing to report investment information as required to the foreign investment information report system. On December 30, 2019, MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department.



On December 26, 2019, the State Council promulgated the Implementation Regulations for the Foreign Investment Law of the PRC (the “Implementation Regulation for Foreign Investment Law”), which became effective on January 1, 2020. The Implementation Regulation for Foreign Investment Law provides that foreign investment enterprises established in accordance with the Law of the PRC on Sino-foreign Equity Joint Venture Enterprises, the Law of the PRC on Foreign Investment Enterprises and the Law of the PRC on Sino-foreign Cooperative Joint Venture Enterprises prior to implementation of the Foreign Investment Law may, within the five-year period following the implementation of the Foreign Investment Law, adjust their organization form, organization structure pursuant to the provisions of the PRC Company Law, the PRC Partnership Enterprise Law and related laws, and complete change registration in accordance with the law, or may continue to retain their original enterprise organization form or organization structure. With effect from January 1, 2025, where an existing foreign investment enterprise has not adjusted its organization form or organization structure and complete the change registration in accordance with the law, the market regulatory authorities shall not process the application(s) for any other registration matter(s) of the said foreign investment enterprise, and shall publicly announce the relevant information.

According to the 2021 Negative List, unless provided in other laws, foreign investment in areas not listed on the 2021 Negative List is permitted and treated equally with domestic investment. 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. According to the Opinions, Foreign investment is not allowed to hold any shares or invest in after-school curriculum-based training institutions through merge and acquisition, commissioned operations, franchise, variable interest entities, or other means and local government authorities do not allow foreign-invested entities to establish private schools to engage in curriculum-based 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. We conducted our education business in China primarily through contractual arrangements among our subsidiaries in China and their VIEs. On November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest of Ambow China for a cash consideration of US\$ 12.0 million. The Sale was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

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

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Operating Sino-foreign Schools, promulgated in 2003 and revised in 2013 and 2019 respectively by the State Council and the Implementing Rules for the Regulations on Operating Sino-foreign Schools, or the Implementing Rules, which were issued by the MOE in 2004.

The regulations on Operating Sino-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. Sino-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 Sino-foreign Cooperation in Operating Schools or Sino-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 relating to after-school tutoring***

On February 13, 2018, the MOE, the MCA, the Ministry of Human Resources and Social Security and the SAIC jointly promulgated the Circular on Alleviating After-school Burden on Primary and Secondary School Students and Implementing Inspections on After-school Training Institutions, pursuant to which the government authorities will carry out a series of inspections on after-school training institutions and order those with material potential safety risks to suspend business for self-inspection and rectification and those without proper establishment licenses or school operating permits to apply for relevant qualifications and certificates under the guidance of competent government authorities. Moreover, after-school training institutions must file with the local education authorities and publicly present the classes, courses, target students, class hours and other information relating to their academic training courses (primarily including courses on Chinese and mathematics). After-school training institutions are prohibited from providing academic training services beyond the scope or above the level of school textbooks, or organizing any academic competitions (such as Olympiad competitions) or level tests for students of primary and secondary schools. In addition, primary and secondary schools may not reference the student's performance in the after-school training institutions as one of admission criteria.

On August 6, 2018, the General Office of the State Council issued the Opinions on Standardizing the Development of Off-Campus Training Institutions (the "State Council Circular 80"), which primarily regulates the after-school training institutions targeting students in elementary and middle schools. State Council Circular 80 reiterates prior guidance that after-school training institutions must obtain a private school operating permit, and further requires such institutions to meet certain minimum requirements. For example, after-school training institutions are required to (i) have a training premise that satisfies specific safety criteria, with an average area per student of no less than three square meters during the applicable training period; (ii) comply with relevant requirements relating to fire safety, environmental protection, hygiene, food operation and others; (iii) purchase personal safety insurance for their students to reduce safety risks; and (iv) avoid hiring any teachers who are working concurrently in primary or secondary schools, and ensure that teachers tutoring in academic subjects (such as Chinese, mathematics, English, physics, chemistry and biology) have the corresponding teacher qualification licenses. In addition, after-school training institutions are prohibited from carrying out exam-oriented training, training that goes beyond the school syllabus, training in advance of the corresponding school schedule or any training activities associated with student admission, and they are not allowed to organize any level test, rank examination or competition on academic subjects for primary and secondary students. The training content of after-school training institutions cannot exceed the corresponding national curricular standards and training progress shall not be more accelerated than the corresponding progress of local schools. According to State Council Circular 80, after-school training institutions are also required to disclose and file relevant information regarding the institution, including their training content, schedule, targeted students and school timetable to the relevant education authority, and their training classes may not end later than 8:30 p.m. each day or otherwise conflict with the teaching time of local primary and secondary schools. Course fees can only be collected for courses in three months or shorter installments. Moreover, State Council Circular 80 requests that competent local authorities formulate relevant local standards for after-school training institutions within their administrative area. If an overseas listed after-school training institution publicizes overseas any periodical report, or any interim report on material adverse effect on its operation, it must concurrently publish the information in Chinese on its official website (or on the disclosure platform for securities exchange information in the absence of an official website). With respect to online education service providers, State Council Circular 80 provides a principle that regulatory authorities of networking, culture, information technology, radio and television industries should cooperate with regulatory authorities of education in supervising online education in their relevant industry.

On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of State Council issued the Opinions. The Opinions aims to further regulate after-school tutoring activities (including both online and offline tutoring) and effectively ease the burden of excessive homework and after-school tutoring for students at compulsory education stage. The Opinions provides a number of restrictive measures regulating the institutions engaging in online and offline tutoring business. Among others, the Opinions emphasize that curriculum subject- focused tutoring institutions shall be subject to strict examinations and shall be prohibited from going public for financing or conducting any capitalized operations. Listed companies shall not provide finance for or invest in any curriculum subject-focused tutoring institutions through stock market or purchase any asset from such institutions by issuing shares, paying cashes or other means. Foreign investors shall be prohibited from holding any shares of or investing in such institutions through merge and acquisition, commissioned operations, franchise, variable interest entities, or other means. Furthermore, after-school tutoring institutions shall not take up public holidays, weekends and winter and summer vacation periods to organize curriculum-based tutoring and non-curriculum-based tutoring institutions shall not engage in curriculum-based tutoring. It is stipulated in the Opinions that the supervision on curriculum-based tutoring institutions catering to general high school students shall be carried out in accordance with relevant provisions of the Opinions. The Opinions have also required provincial governments to refine and improve the measures according to local realities, establish specialized institutions, and define the road map, timetable and responsible persons for the special governance actions in accordance with the “Double Reduction” work objectives and tasks.

### ***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. On March 13, 2017, the MOE abolished such regulations.

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.

The MOE and certain other PRC government authorities jointly promulgated the Implementation Opinions on Regulating Online After-school Training (the “Online After-school Training Opinions”), as effective on July 12, 2019. The Online After-school Training Opinions is to regulate academic after-school training involving Internet technology provided to students in primary and secondary schools. The Online After-School Training Opinions requires, among others, that online after-school training institutions should file with the competent provincial regulatory authorities of education prior to October 31, 2019 and such regulatory authorities of education, jointly with other provincial government authorities, should review the filings and qualifications of the online after-school training institutions.

The Online After-school Training Opinions further provides that the competent provincial regulatory authorities of education should, jointly with other provincial government authorities, review the filings and qualifications of the online after-school training institutions by the end of December 2019, focusing on the following matters: (i) the training content should not include online games or other content or links irrelevant with the training itself, and should not be beyond the scope of relevant national school syllabus. No illegal publications may be published, printed, reproduced or distributed, and no infringement or piracy activities may be conducted during the training. The training content and data should be stored for more than one year, among which the live streaming teaching videos should be stored for more than six months; (ii) each course should not be longer than 40 minutes and should be taken at intervals of not less than 10 minutes, and the training time should not conflict with the teaching time of primary and secondary schools. Each live streaming course provided to students receiving compulsory education should not end later than 9:00 p.m., and no homework should be left for primary school students in Grade 1 and Grade 2. The online after-school training platforms should have eye protection and parental supervision functions; (iii) the online after-school training institutions should not hire any teachers who are currently working at primary or secondary schools. Training personnel of academic subjects are required to obtain necessary teacher qualification licenses. The online after-school training institutions' platforms and course interfaces should present the names, photos and teacher qualification licenses of training personnel, and the learning, working and teaching experiences of foreign training personnel; (iv) with the consent of students and their parents, the online after-school training institutions should verify the identification information of each student, and should not illegally sell or provide such information to third parties. User behavior log must be kept for more than one year; (v) the charge items and standard and refund policy should be specifically presented on the training platforms. The prepaid fees can only be used for education and training purposes and cannot be used for other investment activities. If the prepaid fees are charged based on the number of classes, the prepaid fees are not allowed to be collected in a lump sum for more than 60 classes. If the prepaid fees are charged based on the length of the learning period, the prepaid fees are not allowed to be collected for a learning period of more than three months; and (vi) the online after-school training institutions with incompliance or issues identified by the competent provincial regulatory authorities of education must complete the rectification by the end of June 2020, and would be subject to fines, administrative order to suspend operations or other administrative sanctions if they fail to complete the rectification in time.

On March 30, 2021, the General Office of MOE promulgated the Notice of Further Strengthening the Sleep Management of Primary and Middle School Students, pursuant to which all the live online training activities on the online after-school training platforms shall end before 9 p.m.

### ***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 MITT. 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 and last amended in 2013. 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, 2022, we have been issued nil registration certificate for computer software copyrights.

### ***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.

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.

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.

The Regulations on Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), as most recently amended on February 6, 2016, are the key regulations for foreign direct investment in telecommunications companies in China. The FITE Regulations stipulates that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in an FIE that provides value-added telecommunications services. In addition, the major foreign investor who invests in a value-added telecommunications enterprise in China must demonstrate a positive track record and experience in providing such services. The term "major foreign investor" means the capital contributor whose capital contribution is highest among all the foreign investors and constituting 30% or more of the total capital contribution of all the foreign investors. Moreover, foreign investors that meet these qualification requirements that intend to invest in or establish a value-added telecommunications enterprise operating the value-added telecommunications business must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals.

According to the 2021 Negative List, the foreign-invested shares of a value-added telecommunications services company shall not exceed 50% (except for e-commerce, domestic multiparty communications services, store and forward services and call center services).

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

On December 20, 2007, the State Administration of Radio, Film and Television (“SARFT”, currently known as the National Radio and Television Administration) and MIIT issued the Internet Audio-Video Program Measures, which became effective on January 31, 2008 and revised on August 28, 2015. 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 particular 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 was further amended on March 10, 2017 and 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 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 on 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.

On January 4, 2022, thirteen departments, including the MIIT and the Cyberspace Administration of China, jointly released the Measures for Cybersecurity Reviews (the “Cybersecurity Measures”) with an effective date of February 15, 2022. The Cybersecurity Measures stipulates that circumstances under which one party shall apply for cybersecurity review, including, among others, (i) the critical information infrastructure operators that intend to purchase internet products and services and Internet platform operators engaging in data processing activities that affect or may affect national security; and (ii) the Internet platform operators who possess personal information of at least one million users apply for “foreign” listing. However, the Cybersecurity Measures provide no further explanation or interpretation for “foreign” listing.

### ***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 and amended on January 30, 2013. 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, 2022, we have registered nil domain names with the Internet Corporation for Assigned Names and Numbers and the China Internet Network Information Center.

Domain names are protected under the Administrative Measures on the Internet Domain Names which was promulgated on August 24, 2017 and became effective on November 1, 2017 by MIIT. MIIT is the major regulatory body responsible for the administration of the PRC Internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. As of December 31, 2022, we have registered nil website names which are used in connection with our education business with Beijing Municipal Bureau of Industry and Commerce.

### ***Regulation of privacy protection***

In July 2013, the MIIT promulgated the Regulations on Protection of Personal Information of Telecommunication and Internet Users, which took effect on September 1, 2013, to regulate the collection and use of users’ personal information in the provision of telecommunication services and Internet information services in China and the personal information includes a user’s name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunication business operators and Internet service providers are required to constitute their own rules for the collection and use of users’ information and they cannot collect or use of user’s information without users’ consent. Telecommunication business operators and Internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and Internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.



On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT and the Ministry of Public Security (the “MPS”), and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps, which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications and encourages search engines and app stores to clearly mark and recommend those certified apps. On November 28, 2019, the Cyberspace Administration of China, MIIT, the MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps, which lists six types of illegal collection and usage of personal information, including “failure to publish rules on the collection and usage of personal information”, “failure to expressly state the purpose, manner and scope of the collection and usage of personal information”, “collecting and using personal information without obtaining consents from users”, “collecting personal information irrelevant to the services provided”, “providing personal information to other parties without obtaining consent” and “failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information.”

On June 10, 2021, the Standing Committee of the NPC issued the Data Security Law of the People’s Republic of China (the “Data Security Law”), which took effect on September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and theft or illegal collection of data is not permitted. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of the data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responding measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

On August 20, 2021, the Standing Committee of the NPC issued the PRC Personal Information Protection Law (the “Personal Information Protection Law”), which became effective on November 1, 2021, and sets forth detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, and the individual’s rights and the processor’s obligations in the processing of personal information. The Personal Information Protection Law also strengthens the punishment for those who illegally process personal information.

### ***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 and November 2020, the Standing Committee of the NPC further amended the Copyright Law, which became effective on April 1, 2010 and June 1, 2021, respectively.

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, 2013 and 2019, protects the proprietary rights to registered trademarks. The Trademark Office under the National Intellectual Property Administration 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. We have no registered trademark in PRC as of December 31, 2022.



## ***Regulations on Overseas Offering and Listing***

On February 17, 2023, the CSRC published the Overseas Listing Measures which took effect on March 31, 2023. Under the Overseas Listing Measures, a filing-based regulatory system will be applied to “indirect overseas offerings and listings” of companies in mainland China, which refers to securities offerings and listings in an overseas market made under the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a company in mainland China that operates its main business in mainland China. The Overseas Listing Measures states that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible notes and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. Therefore, any of our future offering and listing of our securities in an overseas market may be subject to the filing requirements under the Overseas Listing Measures. In connection with the Overseas Listing Measures, on February 17, 2023 the CSRC also published the Notice on Overseas Listing Measures. According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by March 31, 2023, the date the Overseas Listing Measures became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the Overseas Listing Measures when it subsequently seeks to conduct a follow-on offering. After Sale of Ambow China, we consider the Overseas Listing Measures to have little effect on us.

## ***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, 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.

### ***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***

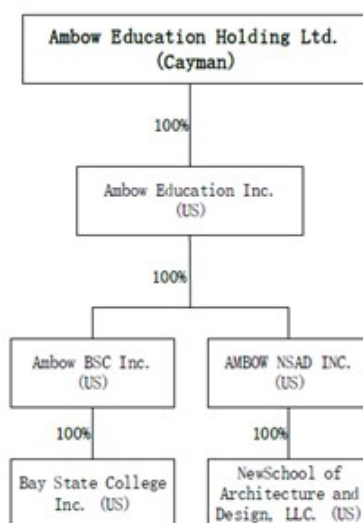
On March 28, 2007, SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Holding Plan or Share Option Plan of Overseas Listed Company, or the Share Option Rule. On February 15, 2012, SAFE promulgated the Notice of the State 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 the place of incorporation of each named entity as of December 31, 2022, and as of the date of this annual report.



- (1) Certain non-performing entities' legal status included in the table above are to be cancelled which do not have significant business.

Ambow, Ambow Education Inc., Ambow NSAD Inc., Ambow BSC Inc., Bay State College, NewSchool are the offshore principal operating entities. Their functional currency is US\$.

We have disposed all our PRC business on December 31, 2022. Before the disposal, Ambow Shengying, BoheLe, OOOK WFOE and Ambow Education Management have entered into a series of contractual arrangements with each of the above domestic PRC companies or Taiwan company that enabled 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, OOOK WFOE 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, OOOK WFOE 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, OOOK WFOE and Ambow Education Management to our VIEs and their respective subsidiaries. Such economic benefits earned by BoheLe, Ambow Shengying, OOOK WFOE 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. The 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, Beijing Le'an, Beijing JFR and Jinan LYZX have executed a series of control agreements with BoheLe. Beijing OOOK has executed a series of control agreements with OOOK WFOE. They are described in more detail below through which agreements Ambow Shengying, OOOK WFOE and BoheLe exercise effective contractual control over Ambow Shida, Ambow Shanghai, Ambow Sihua, Ambow Rongye, Ambow Zhixin, Beijing Le'an, Beijing JFR, Jinan LYZX and Beijing OOOK. IValley has executed a series of control agreements with Ambow Education Management.

Ambow Shida, Ambow Sihua, Ambow Shanghai, Ambow Rongye, Ambow Zhixin, Beijing Le'an, Beijing JFR and Jinan LYZX 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.

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 for Promoting Private Education, the sponsors of a private school may decide to register their schools as either non-profit or for-profit schools but sponsors are not permitted to register for-profit schools that provide compulsory education. Sponsors of for-profit schools are entitled to receive profit distribution from the school while sponsors of non-profit schools 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 for-profit school 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 for-profit school is required to allocate no less than 10% 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.

## **Transfer of Cash Through our Organization**

For the years ended December 31, 2020, 2021 and 2022, Ambow received RMB 0.6 million, RMB 0.5 million and nil from its subsidiaries and transferred RMB 0.01 million, RMB 0.01 million and nil to its subsidiaries, respectively. For the years ended December 31, 2020, 2021 and 2022, our PRC WFOEs received approximately RMB 102.1 million, RMB 143.5 million and RMB 120.7 million, respectively, from the consolidated VIEs and their subsidiaries, and transferred RMB 94.1 million, RMB 118.6 million and RMB 102.2 million, respectively, to the consolidated VIEs and their subsidiaries. We do not have an established cash management policy that dictates how funds are transferred between us, our subsidiaries, WFOEs, consolidated VIEs and their subsidiaries.

## **Dividends and Other Distributions**

See “Item 3. Key Information — D. Risk Factors — General Risk Factors - Our subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us or any other affiliated company.”, and “Item 8. Financial Information — A. Consolidated Financial Statements and other Financial Information — Dividends”.

## **Property, Plant and Equipment**

Our headquarters are located in California, USA, where we lease approximately 70,190 square feet of office and campuses space. In addition, we lease certain properties for our career enhancement college campuses. We believe that our existing facilities are adequate for our current business operations and will be able to enter into lease arrangements on commercially reasonable terms for future expansion.

## **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 2020 results of operations. Our financial statements as of and for the year ended December 31, 2020 can be found under Item 5A in our Annual Report on Form 20-F for the fiscal year ended December 31, 2020 filed on April 8, 2021 and is available for review at [www.sec.gov](http://www.sec.gov).

## **Operating Results**

### **Overview**

We position ourselves at the forefront of future education trend toward a more integrated, hybrid model of education and workforce training. By offering a fully integrated hybrid education delivery and content development platform called HybriU, we are seeking to break down traditional boundaries between online and offline learning, academic and industry training, and language and region to meet the evolving needs of learners and educators.

Intelligent technology is transforming education industry as students can no longer be restricted by the traditional learning environment. Intelligent campuses and classes are becoming a global trend, leading to increased efficiency, cost savings, and improved experiences for students and staff. We proactively introduce our intellectualized operational services to 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 from continuing operations decreased from RMB 113.5 million in 2021 to RMB 102.4 million (US\$ 14.8 million) in 2022; the change was insignificant.

Our net loss from continuing operations was RMB 42.6 million in 2021 and RMB 63.8 million (US\$ 9.3 million) in 2022.

Due to certain restrictions and qualification requirements under PRC law that applies to foreign investment in China's education industry, our education business was originally conducted through contractual arrangements among our wholly-owned subsidiaries in China and our consolidated variable interest entities, or VIEs, in China. Before the Sale of Ambow China, our VIEs and their respective subsidiaries held 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. On November 23, 2022, we entered into a share purchase agreement with Clover Wealth Management to dispose all equity interest in Ambow China. The Sale was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs. As of the date of this annual report, we do not have any business operations and/or assets in China.

## **Recent Developments**

### **Discontinued operations**

On May 14, 2021, the PRC State Council promulgated the 2021 Implementing Rules for the Law for Promoting Private Education, which became effective on September 1, 2021. The 2021 Implementing Rules prohibit foreign-invested enterprises established in China and social organizations whose actual controllers are foreign parties from controlling private schools that provide compulsory education by means of mergers, acquisitions, contractual arrangements, etc. To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest in Ambow China for a cash consideration of US\$ 12.0 million. The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs. The disposed entities meet the definition of "component" under US GAAP to be presented as discontinued operations.

The Ambow China business consisted of K-12 Schools and CP&CE Programs.

*K-12 Schools.* We provided full curriculum services to high school students. 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 7,000 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. 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 were provided in career enhancement centers. 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.

### **Private placement**

On February 1, 2023, we entered into a securities purchase agreement with an institutional investor to issue and sell 5,000,000 ordinary shares of the Company and accompanying warrant to purchase up to 2,000,000 ordinary shares of the Company at a purchase price of US\$0.40 per share, for a total consideration of approximately US\$2.0 million. The warrant is exercisable upon issuance and has a three-year term from the exercise date. The exercise price of the warrant is US\$0.80 per share.

### **Bay State College Accreditation**

On January 19, 2023, The New England Commission of Higher Education ("NECHE") informed Bay State College of its intention to withdraw Bay State College's accreditation as of August 31, 2023. The determination was based on NECHE's opinion that the College could not come into compliance with Institutional Resources (Accreditation Standard 7) within three years. The decision has no bearing on the quality of the Bay State College's educational program or outcomes. On March 20, 2023, the appeal panel of NECHE affirmed NECHE's decision to withdraw Bay State College's accreditation. Without NECHE accreditation, Bay State College will not be able to disburse Title IV funding to its students for classes after August 2023, and will not be able to disburse VA funding to its students for classes after Spring semester ends. Title IV is a section of the Higher Education Act of 1965 that provides federal financial aid to students pursuing higher education. Title IV aid includes grants, loans, and work-study programs. VA funding is financial assistance provided by the U.S. Department of Veterans Affairs (VA) to support eligible military veterans and their families with education and training.

### **Factors affecting our results of operations**

While our business is influenced by factors affecting the education industries in U.S. generally, 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, the amount of fees we charge, the effectiveness of our marketing and brand promotion efforts, the locations and capacity of our campuses, 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 primarily based on demand for our courses, the targeted market for our courses, the geographic location and capacity of the campuses, costs of delivering our services, and the course fees charged by our competitors for the same or similar courses.
- *Our costs and expenses.* We incur costs and expenses at both the head quarter level and at our 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.



### Effects of disposals and other strategic plans

On May 14, 2021, the PRC State Council promulgated the 2021 Implementing Rules for the Law for Promoting Private Education, which became effective on September 1, 2021. The 2021 Implementing Rules prohibit foreign-invested enterprises established in China and social organizations whose actual controllers are foreign parties from controlling private schools that provide compulsory education by means of mergers, acquisitions, contractual arrangements, etc. To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all equity interest of Ambow China for a cash consideration of US\$ 12.0 million. The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased the control of all the VIEs.

There were no other material acquisitions and disposals during the years 2021 and 2022.

### 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 (loss) from continuing operations, both in absolute amount and as a percentage of net revenues, for the periods indicated.

	For the Years Ended December 31,				
	2021		2022		
	RMB	%	RMB	US\$	%
	(in thousands, except percentages)				
Net revenues	113,534	100.0	102,352	14,840	100.0
Cost of revenues	(101,138)	(89.1)	(102,933)	(14,924)	(100.6)
Gross Profit (loss)	12,396	10.9	(581)	(84)	(0.6)

### Net revenues

In 2021 and 2022, we generated net revenues from continuing operations of RMB 113.5 million and RMB 102.4 million (US\$ 14.8 million), respectively. The decrease in revenue was primarily driven by lower student enrollment.

As colleges and universities have evolved toward a blend of in-person and remote instruction, our online platform HybriU empowers these institutions to provide online classes, instant AI translation, and simultaneous content creation. HybriU dramatically decreases barriers to entry for both US and international students while also breaking down barriers between academia and industry. This in turn can help produce a better-prepared US and global workforce.

HybriU is ideally suited for large, top-tier US universities, as well as smaller, regional colleges that offer career-oriented programs in fields such as healthcare and software coding. While developing proprietary educational software and hardware may be cost-prohibitive for many schools, HybriU offers a scalable, affordable solution that can upgrade an institution's technical tools within a short period of time. In addition to HybriU's core functionalities, the laboratory version of the platform also allows instructors to move from one lab group to another in real time. HybriU's ability to create simultaneous content also means that professors and graduate student instructors can generate permanent curriculum from live classes. Colleges and universities can then refine and package this content for sale in the open market.

US and international students can participate in Ambow-enabled classes on a credit and audit basis. Given the recent decline in post-secondary enrollment in the U.S., this flexibility may be particularly attractive to smaller schools that wish to increase their enrollment and improve their bottom line with the addition of out-of-state and international students. The HybriU cloud-based learning engine allows colleges and universities to accommodate their students' individual learning preferences and significantly enrich their educational experience. Ambow also offers career-oriented post-secondary educational services to undergraduates through the New School of Architecture & Design in San Diego.



### 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. 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 properties;
- Depreciation and amortization of properties, leasehold improvement and equipment used in the provision of educational services; and

### Gross profit (loss)

Gross profit (loss) as a percentage of our net revenues from continuing operations was 10.9% and negative 0.6% in 2021 and 2022, respectively. The decrease in gross profit (loss) margin from 2021 to 2022 was primarily attributable to the lower net revenue due to lower student enrollment.

### Operating expenses

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

	For the Years Ended December 31,				
	2021		2022		
	RMB	%	RMB	US\$	%
	(in thousands, except percentages)				
Net revenues	113,534	100.0	102,352	14,840	100.0
Operating expenses:					
Selling and marketing	(19,968)	(17.6)	(10,256)	(1,487)	(10.0)
General and administrative	(47,436)	(41.8)	(50,074)	(7,260)	(48.9)
Impairment loss	—	—	(4,534)	(657)	(4.4)
Total operating expenses	(67,404)	(59.4)	(64,864)	(9,404)	(63.3)

*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 continuing operations from 2021 to 2022 was due to stringent expense control to improve operating efficiency during the period.

*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 from continuing operations increased from RMB 47.4 million in 2021 to RMB 50.1 million (US\$7.3 million) in 2022, which was mainly due to increased payroll expenses to our staff.

**Impairment loss.** Our impairment loss consisted of impairment provided on brand from continuing operations of RMB 4.5 million (US\$ 0.7 million) in 2022.

**Share-based compensation expenses.** The following table sets forth the allocation of our share-based compensation expenses from continuing operations, 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,				
	2021		2022		
	RMB	%	RMB	US\$	%
	(in thousands, except percentages)				
Allocation of share-based expenses:					
General and administrative	(883)	100.0	(7,468)	(1,083)	100.0
Total share-based expenses	(883)	100.0	(7,468)	(1,083)	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 it currently conducts operations primarily through our U.S. subsidiaries. Under the current laws of the Cayman Islands, Ambow is not subject to taxes on their income or capital gains. In addition, the payment of dividends, if any, is not subject to withholding taxes in the Cayman Islands.

A significant component of our provision of income tax is generated from operating through our U.S. subsidiaries, which have a federal statutory income tax rate of 21%. Current income taxes are provided for in accordance with the laws and regulations in U.S. Deferred income taxes are recognized when temporary differences exist between the tax bases and their reported amounts in the consolidated financial statements.

### **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. 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 subsidiaries 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, BoheLe, OOOK WFOE, OOOK Holding Co., Ltd. and its subsidiaries, Ambow Education Inc., Ambow BSC Inc., Bay State College, Ambow NSAD Inc., NewSchool, two holding companies registered in Cayman and five holding companies registered in Hong Kong. Except for Bay State College and NewSchool, these entities are all for equity investment holding purpose.

To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest in Ambow China for a cash consideration of US\$ 12.0 million. The Sale was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

### *Comparability and Reclassification Adjustment*

A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (1) the component of an entity or group of components of an entity meets the criteria to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; (3) the component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

We have reclassified certain comparative balances in the consolidated balance sheet as of December 31, 2021 and certain comparative amounts in the consolidated statements of operations for the years ended December 31, 2021 and 2020 to conform to the current year's presentation. The assets and liabilities of the discontinued operations have been classified as current assets of discontinued operations and non-current assets of discontinued operations, current liabilities of discontinued operations and non-current liabilities of discontinued operations in the consolidated balance sheet as of December 31, 2021. The results of discontinued operations for the years ended December 31, 2021 and 2020 have been reflected separately in the consolidated statement of operations as a single line item for all periods presented in accordance with U.S. GAAP. Cash flows from discontinued operations of the three categories for the years ended December 31, 2021 and 2020 were separately presented in the consolidated statements of cash flows for all periods presented in accordance with U.S. GAAP.

### *Revenue recognition*

Our revenue is generated from delivering educational programs.

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 Bay State College and NewSchool in the U.S. which offer career-focused post-secondary educational services to undergraduate students.

For 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 undergraduate students, our performance obligations are to provide acknowledged academic education within academic years, and post-secondary education with Associates and Bachelor's programs within agreed-upon periods. The transaction price is the tuition fee received and circumstances like other variable consideration, significant financing component, noncash consideration, consideration payable to a customer did not exist. As there is only one performance obligation, the transaction price is allocated to the one performance obligation. The Group satisfies performance obligation to students over time, and recognizes revenue according to school days consumed in each month of a semester.

#### Contract Balances

Accounts receivable represents revenue recognized for the amounts invoiced and/or prior to invoicing when we satisfied its performance obligation and has unconditional right to the payment. Under Topic 606, our right to consideration in exchange for goods or services that we have transferred to a customer is recognized as a contract asset. We have no contract assets as of December 31, 2021 and 2022.

The contract liabilities consist of deferred revenue, which relates to unsatisfied performance obligations at the end of each reporting period and consists of tuition received in advance from students. As of December 31, 2021 and 2022, our deferred revenue amount to RMB 5.4 million and nil, respectively.

#### *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 receivables are deemed uncollectible, after all collection efforts have been exhausted and the potential for recovery is considered remote. We recognized allowance for doubtful accounts of RMB 6.9 million and RMB 7.7 million as of December 31, 2021 and 2022, respectively.

#### *Intangible assets, net*

Intangible assets, net represent brand, software, trade name 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
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 as of September 30 every year, 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. For the years ended December 31, 2020, 2021 and 2022, we performed impairment test on the trade name and brand and recognized impairment loss from continuing operations of RMB 1.4 million, RMB nil and RMB 4.5 million on brand and trade name, respectively.

#### *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. There is no impairment loss from other long-lived assets during the years ended December 31, 2020, 2021 and 2022.

#### *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 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.

#### *Lease*

We account for our lease under ASC 842 Leases, and 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*

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 (loss).

#### **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,		
	2021	2022	2022
	RMB	RMB	US\$
	(in thousands)		
<b>Consolidated Statement of Operations Data:</b>			
<b>NET REVENUES:</b>			
Total net revenues	113,534	102,352	14,840
<b>COST OF REVENUES:</b>			
Total cost of revenues	(101,138)	(102,933)	(14,924)
<b>GROSS PROFIT (LOSS)</b>	<u>12,396</u>	<u>(581)</u>	<u>(84)</u>
<b>Operating expenses:</b>			
Selling and marketing <sup>(1)</sup>	(19,968)	(10,256)	(1,487)
General and administrative <sup>(1)</sup>	(47,436)	(50,074)	(7,260)
Impairment loss	—	(4,534)	(657)
Total operating expenses	<u>(67,404)</u>	<u>(64,864)</u>	<u>(9,404)</u>
<b>OPERATING LOSS</b>	<u>(55,008)</u>	<u>(65,445)</u>	<u>(9,488)</u>
<b>Total other income</b>	<u>9,163</u>	<u>1,629</u>	<u>236</u>
<b>LOSS BEFORE INCOME TAX AND NON-CONTROLLING INTERESTS</b>	<u>(45,845)</u>	<u>(63,816)</u>	<u>(9,252)</u>
Income tax benefit	<u>3,220</u>	<u>—</u>	<u>—</u>
<b>LOSS FROM CONTINUING OPERATIONS</b>	<u>(42,625)</u>	<u>(63,816)</u>	<u>(9,252)</u>
(Loss) Income from and on sale of discontinued operation, net of income tax	<u>44,629</u>	<u>(34,871)</u>	<u>(5,056)</u>
<b>NET INCOME (LOSS)</b>	<u>2,004</u>	<u>(98,687)</u>	<u>(14,308)</u>
Less: Net loss attributable to noncontrolling interests from continuing operations	<u>—</u>	<u>—</u>	<u>—</u>
Less: Net loss attributable to noncontrolling interests from discontinued operations	<u>(998)</u>	<u>(1,619)</u>	<u>(235)</u>
<b>NET LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS FROM CONTINUING OPERATIONS</b>	<u>(42,625)</u>	<u>(63,816)</u>	<u>(9,252)</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS FROM DISCONTINUED OPERATIONS</b>	<u>45,627</u>	<u>(33,252)</u>	<u>(4,821)</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>	<u>3,002</u>	<u>(97,068)</u>	<u>(14,073)</u>

<sup>(1)</sup> Includes depreciation and amortization of RMB 2.4 million and RMB 1.6 million (US\$ 0.2 million) for the years ended December 31, 2021 and 2022, respectively.

### **Year ended December 31, 2022 compared with year ended December 31, 2021**

**Net revenues.** Our net revenues from continuing operations decreased by 9.8% from RMB 113.5 million in 2021 to RMB 102.4 (US\$ 14.8 million) in 2022. The decrease was primarily driven by lower student enrollment.

**Cost of revenues.** Our cost of revenues from continuing operations increased by 1.8% from RMB 101.1 million in 2021 to RMB 102.9 million (US\$ 14.9 million) in 2022. The change was not significant primary due to most costs are fixed such as employee compensation and campus rental.

**Gross profit (loss).** Gross profit (loss) from continuing operations as a percentage of our net revenues decreased from 10.9% in 2021 to negative 0.6% in 2022. The decrease in gross profit was mainly attributable to lower net revenues.

**Operating expenses.** Our total operating expenses from continuing operations decreased by 3.8% from RMB 67.4 million in 2021 to RMB 64.9 million (US\$ 9.4 million) in 2022. This decrease was mainly due to stringent expense controls on selling and marketing expenses to improve operating efficiency during 2022.

- **Selling and marketing expenses.** Our selling and marketing expenses from continuing operations decreased by 48.6% from RMB 20.0 million in 2021 to RMB 10.3 million (US\$ 1.5 million) in 2022. The decrease was because stringent expense controls to improve operating efficiency during the period.



- *General and administrative expenses.* Our general and administrative expenses from continuing operations increased by 5.6% from RMB 47.4 million in 2021 to RMB 50.1 million (US\$ 7.3 million) in 2022. The increase in 2022 was mainly due to the restricted shares granted to senior management during the period.
- *Impairment loss.* Our impairment loss from continuing operations of RMB 4.5 million (US\$ 0.7 million) was mainly due to the impairment on trade name.

*Other income, net.* We recorded net other income from continuing operations RMB 1.6 million (US\$ 0.2 million) in 2022, compared to net other income of RMB 9.2 million in 2021. The decrease was mainly due to the RMB 9.3 million gain on forgiven PPP loan in 2021, which is nil in 2022, and partially offset by the lease modification and termination gain in 2022.

*Income tax benefit.* Our income tax benefit from continuing operations changed from benefit of RMB 3.2 million in 2021 to nil in 2022.

*(Loss) Income from and on sale of discontinued operations, net of income tax.* On November 23, 2022, we entered into a share purchase agreement with Clover Wealth Management to dispose all of our equity interest in Ambow China. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased the control of all the VIEs. Such disposal qualified as discontinued operations and was separately disclosed. The result from discontinued operation changed from RMB 44.6 million income in 2021 to RMB 34.9 million (US\$ 5.1 million) loss in 2022. The net income from discontinued operations in 2021 was mainly resulted from the reversal of RMB 62.8 million income tax payable due to the expiration of its five-year claw-back period, while the loss in 2022 was mainly due to the introduction of the 2021 Implementing Rules which significantly affected our revenue in K-12 business.

*Net income (loss).* According to above mentioned factors, our net income (loss) changed from RMB 2.0 million net income in 2021 to RMB 98.7 million (US\$ 14.3 million) net loss in 2022.

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

As of December 31, 2022 our consolidated current assets exceeded our consolidated current liabilities by RMB 27.0 million (US\$ 3.9 million). Our consolidated net assets were RMB 54.3 million (US\$ 7.9 million) as of December 31, 2022.

Our principal sources of liquidity have been cash provided by operating activities, financing activities and investing activities. We had net cash used in operating activities from continuing operations of RMB 38.9 million (US\$ 5.6 million), RMB 20.2 million and RMB 31.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, we had RMB 22.8 million (US\$ 3.3 million) in unrestricted cash and cash equivalents. Since the beginning of 2023, we have received US\$2.0 million in proceeds from completed private placement and US\$2.0 million in consideration from Sale of Ambow China, and the remaining balance of US\$4.0 million is scheduled to be received in September 2023 according to the purchase agreement. We are currently focusing on cost control to enhance operational efficiency by reducing leasing and labor costs.

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, we may not be able to achieve profitability.

We believe that available cash and cash equivalents, cash provided by operating activities, together with cash available, 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,		
	2021 RMB	2022 RMB (in thousands)	2022 US\$
Net cash used in operating activities, continuing operations	(20,181)	(38,944)	(5,646)
Net cash provided by (used in) operating activities, discontinued operations	4,247	(24,843)	(3,602)
Net cash provided by investing activities, continuing operations	204	—	—
Net cash provided by (used in) investing activities, discontinued operations	106,992	(134,430)	(19,491)
Net cash (used in) provided by financing activities, continuing operations	(531)	20,791	3,014
Net cash provided by financing activities, discontinued operations	6,369	14,070	2,040
Effects of exchange rate changes on cash, cash equivalents and restricted cash	206	(692)	(100)
Net change in cash, cash equivalents and restricted cash	97,306	(164,048)	(23,785)
Cash, cash equivalents and restricted cash at beginning of year	119,645	216,951	31,455
Cash, cash equivalents and restricted cash at end of year	216,951	52,903	7,670
Less: Cash, cash equivalents and restricted cash of discontinued operations	190,198	—	—
Cash, cash equivalents and restricted cash at end of year from continuing operations	26,753	52,903	7,670

### Operating activities

Net cash used in operating activities, continuing operations amounted to RMB 38.9 million (US\$ 5.6 million) in the year ended December 31, 2022, as compared to RMB 20.2 million in the year ended December 31, 2021. Net cash used in operating activities, discontinued operations amounted to RMB 24.8 million (US\$ 3.6 million) in the year ended December 31, 2022, as compared to net cash provided by operating activities, discontinued operations amounted to RMB 4.2 million in the year ended December 31, 2021.

Net cash used in operating activities from continuing operations in the year ended December 31, 2022 was primarily attributable to net loss from continuing operations of RMB 63.8 million (US\$ 9.3 million), a decrease in operating lease liabilities of RMB 16.5 million (US\$ 2.4 million), a decrease in deferred revenue of RMB 5.4 million (US\$ 0.8 million), lease termination and modification gain of RMB 5.2 million (US\$ 0.8 million), an increase in accounts receivable of RMB 2.9 million (US\$ 0.4 million), a decrease in accounts payable of RMB 1.6 million (US\$ 0.2 million); and, partially offset by amortization of operating lease right of use asset of RMB 24.3 million (US\$ 3.5 million), share-based compensation of RMB 7.5 million (US\$ 1.1 million), an increase in accrued and other liabilities of RMB 5.9 million (US\$ 0.9 million), a decrease in prepaid and other current assets of RMB 5.4 million (US\$ 0.8 million), a decrease in other non-current assets of RMB 5.0 million (US\$ 0.7 million), impairment loss of RMB 4.5 million (US\$ 0.7 million), depreciation and amortization of RMB 1.6 million (US\$ 0.2 million), bad debt provision of RMB 1.1 million (US\$ 0.2 million), and loss on disposal of subsidiaries of RMB 1.1 million (US\$ 0.2 million).

Net cash used in operating activities from continuing operations in the year ended December 31, 2021 was primarily attributable to net loss of RMB 42.6 million, a decrease in operating lease liabilities of RMB 21.1 million, increase in accounts receivable of RMB 10.4 million, gain from forgiven PPP loan of RMB 9.3 million, deferred income tax benefit of RMB 3.5 million; and, partially offset by amortization of operating lease right-of-use asset of RMB 21.6 million, an increase in accrued and other liabilities of RMB 20.1 million, an increase in accounts payable RMB 9.4 million, a decrease in other non-current assets of RMB 7.0 million, bad debt provision of RMB 4.8 million and depreciation and amortization of RMB 2.4 million.

**Investing activities**

Net cash provided by investing activities, continuing operations amounted to nil in the year ended December 31, 2022 as compared to RMB 0.2 million in the year ended December 31, 2021. Net cash used in investing activities, discontinued operations amounted to RMB 134.4 million (US\$ 19.5 million) and net cash provided by investing activities, discontinued operations amounted to RMB 107.0 million in the year ended December 31, 2022 and 2021, respectively.

Net cash provided by investing activities, continuing operations in the year ended December 31, 2021 was mainly attributable to proceeds from sale of property and equipment of RMB 0.1 million.

**Financing activities**

Our financing activities consist primarily of proceeds from minority shareholder capital injection, short term borrowing and funding provided to discontinued operations. Net cash provided by financing activities, continuing operations amounted to RMB 20.8 million (US\$ 3.0 million) in the year ended December 31, 2022, as compared to net cash used in financing activities, continuing operations amounted to RMB 0.5 million in the year ended December 31, 2021. Net cash provided by financing activities, discontinued operations amounted to RMB 14.1 million (US\$ 2.0 million) and RMB 6.4 million for the year ended December 31, 2022 and 2021, respectively.

Net cash provided by financing activities, continuing operations in the year ended December 31, 2022 was mainly attributable to RMB 20.8 million (US\$ 3.0 million) proceeds of short-term borrowing.

Net cash used in financing activities, continuing operations in the year ended December 31, 2021 was mainly attributable to RMB 0.6 million funding provided to discontinued operations.

**Short-term borrowings**

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

	<b>Maturities</b>	<b>As of December 31,</b>	
		<b>2021</b>	<b>2022</b>
		<b>RMB</b>	<b>RMB</b>
		<b>(In thousands)</b>	
Short-term bank borrowing from East West Bank	November 2023	—	10,447
Short-term bank borrowing from Cathy Bank	October 2023	—	10,447

In October and November 2022, we pledged our restricted cash amount of US\$ 3.0 million to obtain a line of credit in US\$3.0 million from Cathy Bank and EAST WEST BANK, respectively.

On October 11, 2022, we received a loan from Cathy Bank in the amount of US\$ 1.5 million with a maturity date on October 11, 2023, and bearing interest at 4.46% per annum. On November 14, 2022, we received a loan from EAST WEST BANK in the amount of US\$ 1.5 million with a maturity date on November 14, 2023 and bearing interest at 2.50% per annum. The pledge shall be terminated once all borrowings are repaid and pledge cancellation registration procedures are completed.

The weighted average interest rate of the borrowings outstanding was 4.35% and 3.45% per annum as of December 31, 2021 and 2022. The fair values of the borrowings approximate their carrying amounts. The weighted average borrowings for the years ended December 31, 2021 and 2022 was RMB 12.0 million and RMB 3.6 million, respectively.

The borrowings incurred interest expenses from continuing operations were nil and RMB 0.7 million for the years ended December 31, 2021 and 2022. There was neither capitalization as additions to construction in progress nor guarantee fees for each of three years ended December 31, 2022.

## **Capital expenditures**

Our capital expenditures from continuing operations were nil in the fiscal years ended December 31, 2021 and 2022. These capital expenditures were incurred primarily for investments in intangible assets.

## **Holding company structure**

Before the Sale of Ambow China, we conducted our operations primarily through our wholly-owned subsidiaries in China, Ambow Shengying, OOOK WFOE, BoheLe and their affiliated PRC entities, which we collectively refer to as our VIEs and their respective subsidiaries. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

As a result, our ability to pay dividends and to finance any debt we may incur depended primarily upon dividends paid by Ambow Shengying, OOOK WFOE, BoheLe, Ambow Education Management and fees paid by Ambow Sihua, Ambow Shanghai, Ambow Shida, Ambow Rongye, IValley and Ambow Zhixin, Beijing OOOK, Beijing Le'an, Beijing JFR, Jinan LYZX and their subsidiaries to Ambow Shengying, BoheLe, OOOK WFOR and Ambow Education Management for sales of services and products. Fees paid by VIEs and subsidiaries were mainly for sales of services. The aggregate amount that VIEs and subsidiaries had paid to Ambow Shengying, BoheLe, OOOK WFOE 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, BoheLe, OOOK WFOE 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 for-profit private school, this amount shall be no less than 10% of the annual net income of the school, while in the case of one of our not-for-profit private school, this amount shall be equivalent to no less than 10% 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.

To comply with the 2021 Implementing Rules, on November 23, 2022, we entered a share purchase agreement to dispose all of our equity interest in Ambow China for a cash consideration of US\$ 12.0 million. The Sale of Ambow China was completed on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

## **Inflation**

Inflation had 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.

## **Recent accounting standards**

See of Notes 3(z) 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 do not have any full-time software and educational professionals as of December 31, 2022. In 2021 and 2022, we did not have any 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, 2021 and 2022.

**F. Contractual Obligations**

The following table presents a summary of our contractual obligations and payments, by period, as of December 31, 2022.

	Payments Due by Period				
	Total RMB	Less than 1 Year RMB	2-3 Years RMB (in millions)	4-5 Years RMB	More than 5 Years RMB
Operating lease obligations	58.5	21.4	34.1	3.0	—

## 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, 2022.

Name	Age	Position	Class	Nationality	Residence
Jin Huang	57	President, Chief Executive Officer, Acting Chief Financial Officer and Chairman of the Board	Class III	United States	China
Chiao-Ling Hsu	54	Chief Operating Officer	N/A	Taiwan	China
Yanhui Ma <sup>(1)(2)</sup>	63	Director	Class III	United States	United States
Yigong Justin Chen <sup>(1)</sup>	53	Director	Class I	China	China
Mingjun Wang <sup>(1)(2)</sup>		Director	Class II	China	China

(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 and served as our Acting Chief Financial Officer since September 2022. 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.

*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 U.S. 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.

*Mingjun Wang* has served as a member of our board of directors since September 2022 and is an independent non-executive director of the Company. Mr. Mingjun Wang has over 30 years of operating and management experience in the education and publishing industries. Since 2003, he has served as Chairman of the board directors of Beijing Century Oriental Science and Technology Inc. Since 2017, he has been an executive partner of Edtech Venture, a U. S. venture capital firm. Mr. Wang is also an entrepreneur and independent investor in the United States and China, with investment portfolios including Splashtop, Homatch, Century Oriental, OSA Technologies, 100E Inc. etc. Previously, Mr. Wang held Editor in Chief and Vice President positions of the Publishing House of Electronics Industry of China, and served as a member of the board of directors of China Electronics Association. Mr. Wang joined Pearson Education as international rights manager in 1999. Mr. Wang graduated from Stanford University, School of Business in 1998 with a Master of Science in Management degree, obtained his Master of Electronics Engineering degree from Xidian University in 1988 and a Bachelor of Science degree from Shandong University, Department of Mathematics in 1983.

The business address of each of our executive officers and directors is Ambow Education Holding Ltd., 19925 Stevens Creek Blvd, Cupertino, CA 95014, United States of America.

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

After the sale of Ambow China, Xuejun Xie and Jianguo Xue no longer act as our Vice President, Human Resources and Administration and Sales in charge of degree schools for the Company.

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 2022, the aggregate cash compensation that we paid to our executive officers as a group was RMB 2.8 million (US\$ 0.4 million), which includes bonuses, salaries and other benefits that were earned in 2021 and paid in 2022. We accrued fees to each non-executive director for their services rendered to us starting from October 15, 2018. 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 2020 to 2022. As of December 31, 2021 and 2022, all share options were vested.

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 2021 and 2022, 50,000 and 45,833 shares of restricted stock were vested, respectively.

On June 30, 2022, the Board of Directors approved to grant 5.2 million fully vested Class A ordinary shares of the restricted stock to senior employees of the Group for their services rendered in the past years.

## 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 21, 2018. 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, 2022, 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 numbers 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, 2022, 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 Underlying Options Granted & Restricted Shares	Date of Grant (original)	Date of Grant (New)	Date of Expiration
Dr. Jin Huang	(1)*	02/25/10	11/22/18	—
Chiao-Ling Hsu	(1)*	—	05/18/15	—

\* Less than 1% of the outstanding ordinary shares

(1) Restricted shares

On June 30, 2022, the Board of Directors approved to grant 5.2 million fully vested Class A ordinary shares of the restricted stock to senior employees of the Group for their services rendered in the past years.

**C. Board Practices**

As of December 31, 2022, our board of directors consisted of four directors:

Dr. Jin Huang, Mr. Justin Chen, Mr. Mingjun Wang 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 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	Mingjun Wang	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, Mingjun Wang 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 Mr. Mingjun Wang, each of whom is an “independent director” as that term is used in the NYSE corporate governance rules. Mingjun Wang 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, 2022, we and our subsidiaries had 65 full-time employees, and 151 part-time employees, respectively. As of December 31, 2022, we had the following numbers of full-time employees by cost nature: 42 in general and administrative functions, and 23 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 April 25, 2023, 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 April 25, 2023, the percentage of beneficial ownership for holders of Class A ordinary shares is based on 52,019,109 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., 19925 Stevens Creek Blvd, Cupertino, CA 95014.

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)(5)	351,312	0.68 %	4,708,415	100 %	5,059,727	8.92 %	0.68 %	100 %	47.86 %
Yigong Justin Chen	—	—	—	—	—	—	—	—	—
Mingjun Wang	—	—	—	—	—	—	—	—	—
Ralph Parks	—	—	—	—	—	—	—	—	—
Yanhui Ma	—	—	—	—	—	—	—	—	—
Chiao-Ling Hsu	—	—	—	—	—	—	—	—	—
<b>All executive officers and directors of the company as a group (6 persons) (4)</b>	958,430	1.84 %	4,708,415	100 %	5,666,845	9.99 %	1.84 %	100 %	48.48 %
<b>5% and Greater Shareholders</b>									
New Summit Global Limited	2,703,475	5.20 %	—	—	2,703,475	4.77 %	5.20 %	—	2.73 %
CEIHL Partners (I) Limited (3)	3,420,375	6.58 %	—	—	3,420,375	6.03 %	6.58 %	—	3.45 %
CEIHL Partners (II) Limited (3)	11,144,636	21.42 %	—	—	11,144,636	19.65 %	21.42 %	—	11.25 %
New Flourish Holdings Limited (5)(6)	770,212	1.48 %	4,288,415	91.08 %	5,058,627	8.92 %	1.48 %	91.08 %	44.05 %
Spin-Rich Ltd. (5)(7)	—	—	420,000	8.92 %	420,000	0.74 %	—	8.92 %	4.24 %

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 351,312 Class A Ordinary Shares (i) 287,214 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) Mrs. Ye Wen is the sole shareholder 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 sole shareholder of CEIHL Partners (I) Limited and CEIHL Partners (II) Limited, Mrs. Ye Wen has sole voting and dispositive power over the Class A Ordinary Shares held by CEIHL.
- (4) Includes Class A Ordinary Shares and Class C Ordinary Shares held by all of our directors and executive officers as a group.
- (5) 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.
- (6) 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.
- (7) Dr. Jin Huang has sole voting control and investment power over Class C Ordinary Shares owned by Spin-Rich Ltd.



Except as disclosed in this annual report, 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 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.

On November 23, 2022, we entered a share purchase agreement to dispose all equity interest of Ambow China for a cash consideration of US\$ 12.0 million. The Sale was complete on December 31, 2022. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased the control of all the VIEs.

As of April 25, 2023, approximately 56,727,524 of our ordinary shares were issued and outstanding. Citibank, N.A., the depository, has advised us that, as of April 25, 2023, 8,100,734 ADRs, representing 16,201,468 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**

Prior to the Sale of Ambow China, 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 conducted 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 enabled 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 OOOK WFOE 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, 2022, we had nil due from and due to related party. After the Sale of Ambow China, we have sold all our assets and operations in China and have ceased control of all the VIEs.

## **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, 2022, there are no claims, lawsuits, investigations and proceedings, including un-asserted claims that are probable to be assessed, that have in the recent past had, or to our knowledge, are reasonably possible to have, a material change on our financial position results of operations or cash flow.

From time to time, we are involved in various other legal and regulatory proceedings arising in the normal course of business. While we cannot predict the occurrence or outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal or regulatory proceeding, individually or in the aggregate, would be material to our consolidated financial condition or cash flows; however, an unfavorable outcome could have a material adverse effect on our results of operations

## **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.

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; (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, 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.

### *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 19925 Stevens Creek Blvd, Cupertino, CA 95014, USA.

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 have filed with the SEC our shelf registration statement on Form F-3 (Registration No. 333-264878).

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. 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.* At December 31, 2021 and 2022, we had RMB 0.1 million and RMB 20.9 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 2022 would have resulted in an increase of approximately RMB 13.5 thousand (US\$ 2.0 thousand) in our interest expense for 2022.

*Foreign exchange risk.* Substantially most of our revenues and most of our expenses of discontinued operations are denominated in RMB, while the revenues and expenses of our continuing operation are denominated in US\$. Our exposure to foreign exchange risk primarily relates to cash and cash equivalents denominated in U.S. dollars. 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.

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, 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 2022, the depreciation of the RMB against the U.S. dollar reached 0.9% 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. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

**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:

<b>Service</b>	<b>Fees</b>
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
Depository 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.

Depository 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. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository 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, 2022, we have received US\$ 6,486, 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-15I 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, 2022, 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, 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, 2022.

#### 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 Asia CPAs LLP, our independent registered public accounting firm for 2021 and 2022. 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>2021</b>	<b>2022</b>
	<i>(U.S. dollars in millions)</i>	
Audit fees	0.5	0.4

“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 Asia CPAs 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.

**Item 16I Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

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**

<b>Exhibit No.</b>	<b>Description</b>
1.1	<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>
2.1	<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>
2.2	<a href="#">Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 of the F-1 Registration Statement)</a>
2.3	<a href="#">Form of Deposit Agreement among the company, the depositary and holders of the American Depositary Receipts (incorporated by reference to Exhibit (a) of the F-6 Registration Statement)</a>
2.4	<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>
4.1	<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>
4.2	<a href="#">Amended 2010 plan (incorporated by reference to Exhibit 99.1 of our 6-K filed with the Commission on November 14, 2018)</a>
4.3	<a href="#">Share Purchase Agreement among Ambow Education Holding Ltd., Ambow Education Ltd., Ambow Education Management Ltd. and Ambow Education Group Ltd., and Clover Wealth Limited, dated November 23, 2022 (incorporated by reference to Exhibit 99.2 of Form 6-K filed with the Commission on November 23, 2022)</a>
4.4	<a href="#">Securities Purchase Agreement by and between Ambow Education Holding Ltd. and the investor identified therein, dated as of February 1, 2023 (incorporated by reference to Exhibit 99.2 of Form 6-K filed with the Commission on March 2, 2023)</a>
8.1	<a href="#">List of Subsidiaries and Consolidated Affiliated Entities*</a>
12.1	<a href="#">Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</a>
12.2	<a href="#">Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</a>
13.1	<a href="#">Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</a>
13.2	<a href="#">Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</a>
15.1	<a href="#">Consent of Marcum Asia CPAs LLP*</a>
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*
Exhibit 104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

\* 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, Chief Executive Officer and Acting Chief Financial  
Officer

Date: April 27, 2023

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. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive (loss) income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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 Intangible Assets and Other Long Lived Assets***

### ***Critical Audit Matter Description***

As described in Note 8, Note 9, and Note 17 to the consolidated financial statements, the Company performed impairment analysis on the property and equipment, intangible assets, and operating lease right-of-use assets, and recognized an impairment loss of nil, RMB 4.5 million, and nil for property and equipment, intangible assets, and operating lease right-of-use assets, respectively, during the year ended December 31, 2022.

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 long-lived assets group, and could result in additional impairment.

### ***How We Addressed the Matter in Our Audit***

Our principal audit procedures included, among others:

- testing the completeness and accuracy, and assessing the relevance of underlying data used in the future cash flows;
- corroborating the significant assumptions, including revenue growth rates, operating margins and discount rate, with historical data and evidence obtained to support future projection;
- involving our valuation specialists to assist in evaluating the valuation methodologies and significant assumptions used by the Company in the impairment analysis.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company's auditor since 2013.

New York, NY  
April 27, 2023

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(All amounts in thousands, except for share and per share data)

		As of December 31,		
	Note	2021	2022	2022
		RMB	RMB	US\$
				Note 3(a)
ASSETS				
Current assets:				
Cash and cash equivalents	5	26,753	22,819	3,308
Restricted cash	5	—	30,084	4,362
Accounts receivable, net	6	11,961	13,679	1,983
Prepaid and other current assets	7	6,261	42,560	6,171
Current assets of discontinued operations	4	335,135	—	—
Total current assets		380,110	109,142	15,824
Non-current assets:				
Property and equipment, net	8	2,654	1,906	276
Intangible assets, net	9	7,790	3,703	537
Other non-current assets, net	10	18,832	13,587	1,970
Operating lease right-of-use asset	17	146,732	47,653	6,909
Non-current assets of discontinued operations	4	414,044	—	—
Total non-current assets		590,052	66,849	9,692
Total assets		970,162	175,991	25,516

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)

		As of December 31,		
	Note	2021 RMB	2022 RMB	2022 US\$ Note 3(a)
LIABILITIES				
Current liabilities:				
Short-term borrowings	11	103	20,894	3,029
Deferred revenue		5,403	—	—
Accounts payable		18,143	16,505	2,393
Accrued and other liabilities	12	17,738	25,773	3,737
Income taxes payable, current		3,337	3,645	528
Operating lease liability, current	17	27,584	15,299	2,218
Current liabilities of discontinued operations	4	526,345	—	—
Total current liabilities		598,653	82,116	11,905
Non-current liabilities:				
Operating lease liability, non-current	17	123,804	39,616	5,744
Non-current liabilities of discontinued operations	4	101,023	—	—
Total non-current liabilities		224,827	39,616	5,744
Total liabilities		823,480	121,732	17,649

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,		
		2021 RMB	2022 RMB	2022 US\$ Note 3(a)
<b>Commitments and contingencies</b>	18			
<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, 2021 and 2022)		—	—	—
<b>Class A Ordinary shares</b>				
(US\$ 0.003 par value; 66,666,667 and 66,666,667 shares authorized; 41,973,276 and 47,419,109 shares issued and outstanding as of December 31, 2021 and 2022, respectively)	13	795	903	131
<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, 2021 and 2022, respectively)	13	90	90	13
Additional paid-in capital		3,545,955	3,553,315	515,182
Statutory reserve		3,837	—	—
Accumulated deficit		(3,415,771)	(3,509,002)	(508,757)
Accumulated other comprehensive income		11,291	8,953	1,298
<b>Total Ambow Education Holding Ltd.'s equity</b>		146,197	54,259	7,867
Non-controlling interests		485	—	—
<b>Total equity</b>		146,682	54,259	7,867
<b>Total liabilities and equity</b>		970,162	175,991	25,516

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

**AMBOW EDUCATION HOLDING LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**  
(All amounts in thousands, except for share and per share data)

	Note	Years ended December 31,			
		2020	2021	2022	2022
		RMB	RMB	RMB	US\$ Note 3(a)
<b>NET REVENUES</b>					
- Educational programs and services		120,175	113,534	102,352	14,840
<b>COST OF REVENUES</b>					
- Educational programs and services		(105,520)	(101,138)	(102,933)	(14,924)
<b>GROSS PROFIT (LOSS)</b>		14,655	12,396	(581)	(84)
<b>OPERATING EXPENSES</b>					
Selling and marketing		(18,736)	(19,968)	(10,256)	(1,487)
General and administrative		(40,554)	(47,436)	(50,074)	(7,260)
Impairment loss		(6,599)	—	(4,534)	(657)
Total operating expenses		(65,889)	(67,404)	(64,864)	(9,404)
<b>OPERATING LOSS</b>		(51,234)	(55,008)	(65,445)	(9,488)
<b>OTHER INCOME (EXPENSE)</b>					
Interest income (expenses), net	11	945	1,515	(698)	(101)
Other (expenses) income, net		(1,302)	(1,657)	3,451	500
Gain on forgiven PPP loan		—	9,305	—	—
Gain on the bargain purchase		40,273	—	—	—
Loss on disposal of subsidiaries		—	—	(1,124)	(163)
Total other income		39,916	9,163	1,629	236
<b>LOSS BEFORE INCOME TAX AND NON-CONTROLLING INTERESTS</b>		(11,318)	(45,845)	(63,816)	(9,252)
Income tax benefit	15	3,644	3,220	—	—
<b>LOSS FROM CONTINUING OPERATIONS</b>		(7,674)	(42,625)	(63,816)	(9,252)
(Loss) Income from and on sale of discontinued operations, net of income tax		(56,307)	44,629	(34,871)	(5,056)
<b>NET (LOSS) INCOME</b>		(63,981)	2,004	(98,687)	(14,308)
Less: Net loss attributable to noncontrolling interests from continuing operations		—	—	—	—
Less: Net loss attributable to noncontrolling interests from discontinued operations		(1,269)	(998)	(1,619)	(235)
<b>NET LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS FROM CONTINUING OPERATIONS</b>		(7,674)	(42,625)	(63,816)	(9,252)
<b>NET (LOSS) INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS FROM DISCONTINUED OPERATIONS</b>		(55,038)	45,627	(33,252)	(4,821)
<b>NET (LOSS) INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		(62,712)	3,002	(97,068)	(14,073)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>					
Foreign translation adjustments		6,234	(711)	(2,338)	(339)
Unrealized loss on short term investments		(474)	(99)	—	—
Other comprehensive income (loss)		5,760	(810)	(2,338)	(339)
<b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>		(58,221)	1,194	(101,025)	(14,647)
Net loss from continuing operations per share-basic	16	(0.17)	(0.91)	(1.29)	(0.19)
Net loss from continuing operations per share-diluted	16	(0.17)	(0.91)	(1.29)	(0.19)
Net (loss) income from discontinued operations per share-basic	16	(1.24)	0.98	(0.67)	(0.10)
Net (loss) income from discontinued operations per share-diluted	16	(1.24)	0.98	(0.67)	(0.10)
Weighted average shares used in calculating basic net (loss) income per share	16	44,372,326	46,654,853	49,458,266	49,458,266
Weighted average shares used in calculating diluted net (loss) income per share	16	44,372,326	46,654,853	49,458,266	49,458,266
Share-based compensation expense from continuing operations included in:					
- Selling and marketing		—	—	—	—
- General and administrative	14	947	883	7,468	1,083
- 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)**

		Attributable to Ambow Education Holding Ltd.'s Equity									
		Class A Ordinary shares (Note 13)		Class C Ordinary shares (Note 13)		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income	Non-controlling Interest	Total Equity
	Note	Shares	Amount RMB	Shares	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2020		38,858,199	730	4,708,415	90	3,508,745	20,185	(3,371,815)	6,341	(680)	163,596
Share-based compensation	14	—	—	—	—	947	—	—	—	—	947
Issuance of ordinary shares for restricted stock award	16	50,001	1	—	—	(1)	—	—	—	—	—
Issuance of ordinary shares in a registered direct offering	13	3,015,076	63	—	—	35,515	—	—	—	—	35,578
Foreign currency translation adjustment		—	—	—	—	—	—	—	6,234	—	6,234
Unrealized gain on investment, net of income taxes		—	—	—	—	—	—	—	(474)	—	(474)
Deregistration of subsidiaries		—	—	—	—	—	(15,473)	15,473	—	(19)	(19)
Disposal of subsidiaries		—	—	—	—	(133)	(502)	502	—	—	(133)
Impact on adoption of ASC 326	3	—	—	—	—	—	—	(594)	—	—	(594)
Net loss		—	—	—	—	—	—	(62,712)	—	(1,269)	(63,981)
Balance as of December 31, 2020		41,923,276	794	4,708,415	90	3,545,073	4,210	(3,419,146)	12,101	(1,968)	141,154

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)**

		Attributable to Ambow Education Holding Ltd.'s Equity									
		Class A Ordinary shares		Class C Ordinary shares		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income	Non-controlling Interest	Total Equity
		(Note 13)		(Note 13)							
	Note	Shares	Amount RMB	Shares	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2021		41,923,276	794	4,708,415	90	3,545,073	4,210	(3,419,146)	12,101	(1,968)	141,154
Share-based compensation	14	—	—	—	—	883	—	—	—	—	883
Issuance of ordinary shares for restricted stock award	14	50,000	1	—	—	(1)	—	—	—	—	—
Foreign currency translation adjustment		—	—	—	—	—	—	—	(711)	—	(711)
Unrealized gain on investment, net of income taxes		—	—	—	—	—	—	—	(99)	—	(99)
Deregistration of subsidiaries		—	—	—	—	—	(373)	373	—	3,351	3,351
Capital injection from minority shareholders		—	—	—	—	—	—	—	—	100	100
Net income (loss)		—	—	—	—	—	—	3,002	—	(998)	2,004
Balance as of December 31, 2021		41,973,276	795	4,708,415	90	3,545,955	3,837	(3,415,771)	11,291	485	146,682

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)

		Attributable to Ambow Education Holding Ltd.'s Equity									
		Class A Ordinary shares (Note 13)		Class C Ordinary shares (Note 13)		Additional paid-in capital RMB	Statutory reserves RMB	Accumulated deficit RMB	Accumulated other comprehensive income RMB	Non-controlling Interest RMB	Total Equity RMB
Note		Shares	Amount RMB	Shares	Amount RMB						
Balance as of January 1, 2022		41,973,276	795	4,708,415	90	3,545,955	3,837	(3,415,771)	11,291	485	146,682
Share-based compensation	14	—	—	—	—	7,468	—	—	—	—	7,468
Issuance of ordinary shares for restricted stock award	14	5,445,833	108	—	—	(108)	—	—	—	—	—
Foreign currency translation adjustment		—	—	—	—	—	—	—	(2,338)	—	(2,338)
Deregistration of subsidiaries		—	—	—	—	—	(3,837)	3,837	—	(118)	(118)
Capital injection from minority shareholders		—	—	—	—	—	—	—	—	1,252	1,252
Net loss		—	—	—	—	—	—	(97,068)	—	(1,619)	(98,687)
Balance as of December 31, 2022		47,419,109	903	4,708,415	90	3,553,315	—	(3,509,002)	8,953	—	54,259

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,			
	2020 RMB	2021 RMB	2022 RMB	2022 US\$ Note 3(a)
<b>Cash flows from operating activities</b>				
Net loss from continuing operations	(7,674)	(42,625)	(63,816)	(9,252)
Net (loss) income from discontinued operations	(56,307)	44,629	(34,871)	(5,056)
Adjustments to reconcile net (loss) income to net cash provided by/(used in) operating activities:				
Depreciation and amortization	4,218	2,408	1,561	226
Amortization of operating lease right-of-use asset	20,574	21,604	24,272	3,519
Lease termination and modification gain	—	—	(5,212)	(756)
Share-based compensation expense	947	883	7,468	1,083
Bad debt provision	3,496	4,790	1,124	163
Impairment loss	6,599	—	4,534	657
Interest expense	(64)	(77)	—	—
Deferred income tax benefit	(5,918)	(3,457)	—	—
Loss on disposal of subsidiaries	—	—	1,124	163
Gain from bargain purchase	(40,273)	—	—	—
Gain from forgiven PPP loan	—	(9,305)	—	—
Changes in operating assets and liabilities:				
Accounts receivable	(738)	(10,366)	(2,863)	(415)
Prepaid and other current assets	(3,189)	926	5,437	788
Other non-current assets	(3,886)	7,011	4,978	722
Accounts payable	2,767	9,404	(1,638)	(237)
Accrued and other liabilities	14,329	20,141	5,929	860
Income tax payable	(562)	(978)	—	—
Deferred revenue	(7,070)	545	(5,388)	(781)
Operating lease liabilities	(15,587)	(21,085)	(16,454)	(2,386)
Other non-current liabilities	104	—	—	—
Net cash used in operating activities, continuing operations	(31,927)	(20,181)	(38,944)	(5,646)
Net cash provided by (used in) operating activities, discontinued operations	36,739	4,247	(24,843)	(3,602)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(253)	—	—	—
Proceeds from sale of property and equipment	—	121	—	—

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,			
	2020	2021	2022	2022
	RMB	RMB	RMB	US\$
				Note 3(a)
(Increase) in restricted cash	(13,051)	—	—	—
Proceeds from sale of intangible assets	—	83	—	—
Purchase of subsidiaries, net of cash acquired	37,622	—	—	—
Net cash provided by investing activities, continuing operations	24,318	204	—	—
Net cash (used in) provided by investing activities, discontinued operations	(122,831)	106,992	(134,430)	(19,491)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares, net of expenses	35,578	—	—	—
Proceeds from minority shareholder capital injection	—	100	—	—
Proceeds from short-term borrowing	—	—	20,791	3,014
Proceeds from long-term borrowing	9,594	—	—	—
Funding provided to discontinued operations	(4,656)	(631)	—	—
Net cash provided by (used in) financing activities, continuing operations	40,516	(531)	20,791	3,014
Net cash provided by financing activities, discontinued operations	14,656	6,369	14,070	2,040
Effects of exchange rate changes on cash, cash equivalents and restricted cash	574	206	(692)	(100)
Net change in cash, cash equivalents and restricted cash	(37,955)	97,306	(164,048)	(23,785)
Cash, cash equivalents and restricted cash at beginning of year	157,600	119,645	216,951	31,455
Cash, cash equivalents and restricted cash at end of year	119,645	216,951	52,903	7,670
Less: Cash, restricted cash and cash equivalents of discontinued operations	73,568	190,198	—	—
Cash, cash equivalents and restricted cash at end of year from continuing operations	46,077	26,753	52,903	7,670
<b>Supplemental disclosure of cash flow information</b>				
Interest paid	—	—	(10)	(1)
<b>Supplemental disclosure of non-cash investing and financing activities:</b>				
Derecognition of assets other than cash of disposed subsidiaries/deregistered subsidiaries	—	—	427	62
Derecognition of liabilities of disposed subsidiaries/deregistered subsidiaries, net of recognized amount due to the disposed subsidiaries/deregistered subsidiaries	—	—	594	86
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	75,631	8,560	—	—
Receivable from sale of discontinued operations	—	—	41,787	6,058

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. (hereafter refer as the “Company”), its subsidiaries. The Company and its subsidiaries 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.

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.

To comply with The Implementing Rules for the Law for Promoting Private Education of the PRC (the “2021 Implementing Rules”), Beijing Ambow Shida Education Technology Co., Ltd. (“Ambow Shida”), one of the consolidated VIEs, planned to sell the Shuyang Galaxy School (“Shuyang K-12”) and the business providing compulsory education services at Hunan Changsha Tongsheng Lake Experimental School (“Changsha K-12”) and Shenyang Universe High School (“Shenyang K-12”) (collectively, the “K-9 Business”). Ambow Shida has identified a third-party buyer and entered into a definitive sales agreement with such third party buyer. This agreement is currently under registration process. Ambow Shida would act on behalf of the buyer for the K-9 business operation and management under the authorization of the buyer temporarily, till the registration process is completed. According to agreement between the Group and the buyer, the profit and loss generated after August 31, 2021 and before the completion of this transaction belongs to the buyer, thus no gain or loss related to the K-9 business since September 2021 was recorded on the Group’s financial statements.

On November 23, 2022, the Company and its wholly owned subsidiaries, namely Ambow Education Ltd., Ambow Education Management Ltd. and Ambow Education Group Ltd. (collectively, the “Ambow China”) entered into a share purchase agreement (the “Purchase Agreement”) with Clover Wealth Limited (the “Purchaser”), a third party. Pursuant to the Purchase Agreement, the Company have agreed to sell all of the equity interests in the Ambow China to the Purchaser in consideration of the Purchaser paying US\$12 million in cash to the Company (the “Sale of Ambow China”). The Sale was completed on December 31, 2022. Upon completion of the Sale of Ambow China, the Company would have sold all of its assets and operations in China. The Sale of Ambow China does not affect the sale of the K-9 Business and the historical financial data related to the K-9 business are included in discontinued operations. Refer to Note 4 – Sale of Ambow China for further information.

***b. Nature of operations***

Before the Sale of Ambow China, the Group is a 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.

After the Sale, the Group is offering a new connective technology through its HybriU platform that has the ability to significantly reduce traditional barriers between online and offline education, languages, regions, academia, and industry. In addition, the Group provides education services and products through the operation of its for-profit colleges.

### c. Major subsidiaries

As of December 31, 2022, the Company's major subsidiaries include the following entities:

Name	Date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of ownership %	Principal activity
<b>Subsidiaries</b>				
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 of Architecture and Design, LLC ("NewSchool")	March 6, 2020	United States	100 %	CP&CE Programs

### d. VIE arrangements

#### VIEs of the Company

As of December 31, 2022, there were no VIEs in PRC. Historically, the Group conducted certain operations in PRC through contractual arrangements with certain VIEs, that were incorporated in the PRC. In 2022, the Group sold all of the equity interests in Ambow China, which hold all of the equity interests in its PRC subsidiaries. With the disposition of Ambow China, all VIEs were disposed as of December 31, 2022.

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, the following companies: Ambow Shida, Ambow Shanghai, Ambow Sihua, Beijing Le'an, Ambow Rongye, Ambow Zhixin, IValley, Beijing JFR, Jinan LYZX and Beijing OOOK 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.

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 discontinued operations of the Group as follows:

	As of December 31,	
	2021	2022
	RMB	RMB
Total assets	624,715	—
Total liabilities	616,717	—

	Years ended December 31,		
	2020	2021	2022
	RMB	RMB	RMB
Net revenues	411,805	385,366	—
Net (loss) income	(44,603)	64,544	—

The following table sets forth cash and cash equivalents in RMB held by the Group's VIEs and non-VIE in PRC of the discontinued operations as of December 31, 2021 and 2022:

	As of December 31,	
	2021	2022
	RMB	RMB
VIEs in PRC	124,174	—
Non-VIEs in PRC	762	—
Total	124,936	—

All of the assets of VIEs and its subsidiaries can be used only to settle obligations of VIEs and its subsidiaries. None of the assets of VIEs and its subsidiaries have been pledged or collateralized. The creditors of VIEs and its subsidiaries do not have recourse to the general credit of the Company and its wholly-owned subsidiaries. Assets of VIEs and its subsidiaries that can be used only to settle obligations of VIEs and its subsidiaries and liabilities of VIE and its subsidiaries for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and its wholly owned subsidiaries have been presented parenthetically alongside each balance sheet caption on the face of the consolidated balance sheets.

During the periods presented, the Company and its wholly-owned subsidiaries provided financial support to VIEs that it was not previously contractually required to provide in the form of advances. To the extent VIEs requires financial support, pursuant to the exclusive business cooperation agreement, the WFOE may, at its option and to the extent permitted under the PRC law, provide such support to VIEs through loans to VIE's nominee equity holders or entrustment loans to VIEs.

As of December 31, 2022, there were no VIEs in PRC as the Group sold all of the equity interests in Ambow China, which hold all of the equity interests in its PRC subsidiaries. With the disposition of Ambow China, all VIEs were disposed as of December 31, 2022. Refer to Note 4 – Disposition of Ambow China for further information.

## 2. LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. As of December 31, 2022, the Group's consolidated net working capital was RMB 27,026. The Group's consolidated net assets were RMB 54,259 as of December 31, 2022.

The Group's principal sources of liquidity have been cash provided by operating activities, financing activities and investing activities. The Group had net cash used in operating activities from continuing operations of RMB 38,944, RMB 20,181 and RMB 31,927 for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, the Group had RMB 22,819 in unrestricted cash and cash equivalents. Since the beginning of 2023, the Group has received \$2.0 million in proceeds from completed private placement and \$2.0 million in consideration from disposal of Ambow China, and the remaining balance of \$4.0 million is scheduled to be received in September 2023 according to the purchase agreement. The Group is currently focusing on cost control to enhance operational efficiency by reducing leasing and labor costs.

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 revenues and/or manage cost and operating expenses, the Group may not be able to achieve profitability.

The Group believes that available cash and cash equivalents, cash provided by operating activities, together with cash available, 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, obtaining credit facilities, streamlining business units, controlling rental, overhead and other operating expenses and seeking to further dispose non-cash generating units. Management cannot provide any assurance that the Group will raise additional capital if needed.

### **Risks and Uncertainties**

On January 19, 2023, The New England Commission of Higher Education ("NECHE") has informed Bay State College of its intention to withdraw Bay State College's accreditation as of August 31, 2023. The determination was based on NECHE's opinion that the College could not come into compliance with Institutional Resources (Accreditation Standard 7) within three years. The decision has no bearing on the quality of the Bay State College's educational program or outcomes. On March 20, 2023, the appeal panel of NECHE has affirmed NECHE's decision to withdrawal. Without NECHE accreditation, Bay State College will not be able to disburse Title IV funding to its students for classes after August 2023, and will not be able to disburse VA funding to its students for classes after Spring semester ends. Title IV is a section of the Higher Education Act of 1965 that provides federal financial aid to students pursuing higher education. Title IV aid includes grants, loans, and work-study programs. VA funding is financial assistance provided by the U.S. Department of Veterans Affairs (VA) to support eligible military veterans and their families with education and training.

### **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 6.8972, representing the middle rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board as of December 30, 2022. 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 intangible assets and other long-lived assets, income taxes and provision for doubtful accounts. 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. Comparability and Reclassification Adjustment**

A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (1) the component of an entity or group of components of an entity meets the criteria to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; (3) the component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

The Company has reclassified certain comparative balances in the consolidated balance sheet as of December 31, 2021 and certain comparative amounts in the consolidated statements of operations for the years ended December 31, 2021 and 2020 to conform to the current year's presentation. The assets and liabilities of the discontinued operations have been classified as current asset of discontinued operation and non-current assets of discontinued operation, current liabilities of discontinued operation and non-current liabilities of discontinued operation in the consolidated balance sheet as of December 31, 2021. The results of discontinued operations for the years ended December 31, 2021, and 2020 have been reflected separately in the consolidated statement of operations as a single line item for all periods presented in accordance with U.S. GAAP. Cash flows from discontinued operations of the three categories for the years ended December 31, 2021 and 2020 were separately presented in the consolidated statements of cash flows for all periods presented in accordance with U.S. GAAP.

**e. 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 original maturities of three months or less when initially purchased.

**f. Restricted cash**

Restricted cash includes the deposits required by department of education for contract implementation and the deposits necessary to secure lines of credit from financial institutions.

**g. Accounts receivable, net**

Accounts receivable, net mainly represent the amounts due from the students of the Group's two schools in the US.

#### ***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 receivables are deemed uncollectible, after all collection efforts have been exhausted and the potential for recovery is considered remote.

#### ***i. Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and impairment if any. 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

#### ***j. 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 Group 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, 2020, 2021 and 2022 are disclosed in Note 19-Acquisition.

#### ***k. Intangible assets***

Intangible assets represent brand, software, trade name 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
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, as of September 30 every year, 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.

#### ***l. 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 had two reportable segments including K-12 schools and CP& CE Programs in previous years. As of December 31, 2022, the Group had disposed all of its operations in China, including the K-12 schools. Therefore, the Group has one reportable segment, which is CP& CE Programs as of December 31, 2022.

#### ***m. 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.

#### ***n. Revenue recognition***

The Group’s revenue is generated from delivering educational programs.

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 had two reportable segments historically: 1) K-12 schools, 2) CP&CE Programs. As of December 31, 2022, the Group has one reportable segment, which is CP& CE Programs. 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 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 undergraduate students, the Group's performance obligation is to provide acknowledged academic education within academic years, and post-secondary with Associates and Bachelor's programs within agreed-upon periods. The transaction price is the tuition fee received and circumstances like other variable consideration, significant financing component, noncash consideration, consideration payable to a customer did not exist. As there is only one performance obligation, the transaction price is allocated to the one performance obligation. The Group satisfies performance obligation to students over time, and recognizes revenue according to school days consumed in each month of a semester.

#### Contract Balances

Accounts receivable represents revenue recognized for the amounts invoiced and/or prior to invoicing when the Group satisfied its performance obligation and has unconditional right to the payment. Under Topic 606, the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer is recognized as a contract asset. The Group has no contract assets as of December 31, 2021 and 2022.

The contract liabilities consist of deferred revenue, which relates to unsatisfied performance obligations at the end of each reporting period and consists of tuition received in advance from students. As of December 31, 2021 and 2022, the Group's deferred revenue amount to RMB 5,403 and nil, respectively.

#### ***o. 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.



**p. Leases**

The Group accounts for its lease under ASC 842 Leases, and 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;

**q. Advertising costs**

The Group expenses advertising costs as incurred. Total advertising expenses from continuing operations were RMB 6,702 RMB 6,596 and RMB187 for the years ended December 31, 2020, 2021 and 2022, respectively, and have been included as part of selling and marketing expenses.

**r. Foreign currency translation**

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 changes in equity and comprehensive income (loss).

**s. Fair value of financial instruments**

Financial instruments include cash and cash equivalents, restricted cash, accounts receivable, prepayment and other current assets, accounts payable and short-term borrowings. The carrying values of the financial instruments approximate their fair values due to their short-term maturities.

**t. Net (loss) income 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 share equivalents consist of the ordinary shares issuable upon the vest of restricted shares. Ordinary share equivalents are excluded from the computation of the diluted net income per share in years when their effect would be anti-dilutive. Ordinary share equivalents are also excluded from the calculation in loss periods, as their effects would be anti-dilutive.

**u. 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, 2021 and 2022, respectively.

**v. Uncertain tax positions**

The Group adopted the guidance on accounting for uncertainty in income taxes under ASC 740, 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.

**w. 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 and foreign currency translation adjustments.

**x. *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.

**y. *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.

**z. *Recently issued accounting standards***

Recently issued ASUs by the FASB have no material impact on the Group's consolidated results of operations or financial position.

#### 4. Sale of Ambow China

On November 23, 2022, the Group entered into a share purchase agreement with Clover Wealth Management (the “Purchaser”). Pursuant to the Purchase Agreement, the Group have agreed to sell all of the equity interests in Ambow Education Ltd., Ambow Education Management Ltd. and Ambow Education Group Ltd. to the Purchaser in consideration of the Purchaser paying US\$ 12.0 million in cash to the Company (the “Sale of Ambow China”). The Sale was completed on December 31, 2022. After the Sale of Ambow China, the Company had sold all of its assets and operations in China.

The assets and liabilities of Ambow China are included in the captions “Current assets of discontinued operations”, “Noncurrent assets of discontinued operations”, “Current liabilities of discontinued operations” and “Noncurrent liabilities of discontinued operations”, in the accompanying balance sheets at December 31, 2021 and consist of the following:

	<b>As of December 31,</b>
	<b>2021</b>
	<b>RMB</b>
<b>Assets of Discontinued Operations</b>	
Cash and cash equivalents	188,375
Restricted cash	1,823
Short term investments, available for sale	15,764
Short term investments, held to maturity	2,000
Accounts receivable, net	14,631
Amounts due from related parties	3,103
Prepaid and other current assets, net	109,439
<b>Total current assets</b>	<b>335,135</b>
Property and equipment, net	145,513
Land use rights, net	1,685
Intangible assets, net	38,651
Goodwill	25,710
Other non-current assets, net	123,532
Operating lease right-of-use asset	73,672
Finance lease right-of-use asset	5,250
<b>Total non-current assets</b>	<b>414,013</b>
<b>Total assets</b>	<b>749,148</b>
<b>Liabilities of Discontinued Operations</b>	
Short-term borrowings	10,000
Deferred revenue	154,465
Accounts payable	12,440
Accrued and other liabilities	210,661
Income taxes payable, current	113,647
Amounts due to related parties	3,793
Operating lease liability, current	21,339
<b>Total current liabilities</b>	<b>526,345</b>
Deferred tax liabilities	4,538
Other non-current liabilities	96
Income taxes payable, non-current	21,475
Operating lease liability, non-current	74,883
<b>Total non-current liabilities</b>	<b>100,992</b>
<b>Total liabilities</b>	<b>627,337</b>

The following are revenues and income (loss) from discontinued operations:

	Years ended December 31,		
	2020 RMB	2021 RMB	2022 RMB
Net revenues	411,805	383,343	282,796
Cost of revenues	(281,970)	(238,420)	(193,852)
Gross profit	129,835	144,923	88,944
Selling and marketing	(33,619)	(35,500)	(17,405)
General and administrative	(133,729)	(122,558)	(99,190)
Research and development	(5,703)	(14,487)	(10,702)
Impairment loss	(30,100)	(10,525)	—
Total operating expenses	(203,151)	(183,070)	(127,297)
Total other income (expense), net	21,715	26,888	12,219
Loss from discontinued operations, before income tax	(51,601)	(11,259)	(26,134)
Income tax (expense)/benefit	(4,706)	55,888	(50,531)
(Loss) Income from discontinued operations, net of income tax	(56,307)	44,629	(76,665)
Income on sale of discontinued operations, net of income tax	—	—	41,794
(Loss) Income from and on sale of discontinued operation, net of income tax	(56,307)	44,629	(34,871)

The significant accounting policy of discontinued operation, except those disclosed in Note 3 are summarized as below.

#### **a. 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. Fair value is estimated based on quoted prices of similar financial products provided by the banks at the end of each period, which is classified in Level 2 of the valuation hierarchy in the fair value measurement.

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 statement of operations. There is no OTTI recognized during the years ended December 31, 2022, 2021 and 2020.

#### **b. 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. The Group recorded nil, nil and RMB 30.1 million as impairment of goodwill in the years ended December 31, 2022, 2021 and 2020 from discontinued operations, respectively.

### ***c. Revenue recognition***

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 had two reportable segments historically: 1) K-12 schools, 2) CP&CE Programs. As of December 31, 2022, the Group has one reportable segment, which is CP&CE Programs. K-12 schools mainly provide full curriculums educational services to senior high school students in China. CP&CE Programs offer tutoring services to pre-school children and senior high school 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.

For individual customers including pre-school children and senior high school 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 and senior high school students, the Group's performance obligations are to provide acknowledged academic education including kindergarten, grade from ten to twelve to school-aged students within academic years, extracurricular tutoring services. 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 and senior high school 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 and senior high school 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.

#### Contract Balances

Accounts receivable represents revenue recognized for the amounts invoiced and/or prior to invoicing when the Group satisfied its performance obligation and has unconditional right to the payment. Under Topic 606, the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer is recognized as a contract asset. The Group has no contract assets as of December 31, 2021 and 2022.

The contract liabilities consist of deferred revenue, which relates to unsatisfied performance obligations at the end of each reporting period and consists of tuition received in advance from customers. As of December 31, 2021, the Group's deferred revenue amount to RMB 154,465.

#### ***d. 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.

#### ***e. 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.

#### **f. 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.

### **5. 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.

	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
Cash and cash equivalents	26,753	22,819
Restricted cash (Note i)	—	30,084
<b>Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows</b>	<b>26,753</b>	<b>52,903</b>

(Note i) Restricted cash required by department of education and the deposits necessary to secure lines of credit from financial institutions.

### **6. ACCOUNTS RECEIVABLE, NET**

Accounts receivable consisted of the following:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
Accounts receivable	18,888	21,382
Less: Allowance for doubtful accounts	(6,927)	(7,703)
<b>Accounts receivable, net</b>	<b>11,961</b>	<b>13,679</b>

Allowance for doubtful accounts:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
Balance at beginning of year	(3,804)	(6,927)
Addition	(4,790)	(1,124)
Written off	1,667	348
<b>Balance at end of year</b>	<b>(6,927)</b>	<b>(7,703)</b>



## 7. PREPAID AND OTHER CURRENT ASSETS

Prepaid and other current assets consisted of the following:

	As of December 31,	
	2021	2022
	RMB	RMB
Receivables for disposal of Ambow China (Note i)	—	41,788
Prepayments to suppliers	718	720
Loans to third parties	3,188	38
Others (Note ii)	2,355	14
Total before allowance for doubtful accounts	6,261	42,560
Less: allowance for doubtful accounts	—	—
Total	6,261	42,560

(Note i) Representing consideration receivable from disposal of Ambow China after US\$6.0 million has been received as of December 31, 2022, an additional US\$ 2.0 million was received in March 2023, with the remaining balance of US\$ 4.0 million will be received in September 2023 according to the schedule in the purchase agreement.

(Note ii) Others mainly included prepaid education supplies, prepaid outsourcing service fee, and other miscellaneous items.

## 8. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	As of December 31,	
	2021	2022
	RMB	RMB
Motor vehicles	11	12
Office and computer equipment	5,227	5,715
Leasehold improvements	199	217
Sub-total	5,437	5,944
Less: accumulated depreciation	(2,783)	(4,038)
Total	2,654	1,906

For the years ended December 31, 2020, 2021 and 2022, depreciation expenses from continuing operations were RMB 2,466, RMB 1,472 and RMB 1,423, respectively, which were recorded in cost of revenues, selling and marketing expenses, general and administrative expenses and research and development expenses.

The Group performed impairment test on the property and equipment, and there is no impairment loss from continuing operations for the years ended December 31, 2020, 2021 and 2022, respectively.

## 9. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following:

	As of December 31,	
	2021 RMB	2022 RMB
Gross carrying amount		
Trade names	3,190	3,190
Brand	4,534	—
Student populations	1,438	1,438
Software	1,968	1,936
Accreditation	188	696
	<u>11,318</u>	<u>7,260</u>
Less: accumulated amortization		
Trade names	—	—
Brand	—	—
Student populations	(1,438)	(1,438)
Software	(1,968)	(1,936)
Accreditation	(122)	(183)
	<u>(3,528)</u>	<u>(3,557)</u>
Intangible assets, net		
Trade names	3,190	3,190
Brand	4,534	—
Student populations	—	—
Software	—	—
Accreditation	66	513
	<u>7,790</u>	<u>3,703</u>

For the years ended December 31, 2020, 2021 and 2022, the Group performed impairment test on the trade name and brand and recognized impairment loss from continuing operations of RMB 1,386, RMB nil and RMB 4,534 on brand, respectively.

Amortization expenses for intangible assets from continuing operations amounted to RMB 1,413, RMB 786 and RMB 36 for the years ended December 31, 2020, 2021 and 2022, respectively. 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:

	Amount RMB
2023	80
2024	80
2025	80
2026	80
2027	80
Thereafter	113
Total	<u>513</u>

## 10. OTHER NON-CURRENT ASSETS, NET

Other non-current assets consisted of the following:

	As of December 31,	
	2021 RMB	2022 RMB
Long-term restricted cash (Note i)	16,600	11,938
Long-term lease deposits	1,797	1,348
Others	435	301
Total	18,832	13,587

(Note i) It includes cash in collateral bank accounts for the issuance of letters of credit in U.S.

## 11. SHORT-TERM BORROWING

The following table sets forth the loan agreement of short-term borrowing from bank:

Date	Borrower	Lender	Amount (RMB)	Original Amount (US\$)	Annual Interest Rate	Repayment Due Date
October 11, 2022	Ambow Education Inc.	Cathy BANK	10,447	1,500	4.46 %	October 11, 2023
November 14, 2022	Ambow Education Inc.	EAST WEST BANK	10,447	1,500	2.50 %	November 14, 2023

In October and November 2022, the Group pledged its restricted cash amount of US\$ 3,000 to obtain a line of credit in US\$ 3,000 from Cathy Bank and EAST WEST BANK, respectively. Refer to the Note 5-Cash, Cash Equivalents and Restricted Cash.

On October 11, 2022, the Group received loan from Cathy Bank in the amount of US\$ 1,500 with maturity date on October 11, 2023 and bearing interest at 4.46% per annum. On November 14, 2022, the Group received loan from EAST WEST BANK in the amount of US\$ 1,500 with maturity date on November 14, 2023 and bearing interest at 2.50% per annum. The pledge shall be terminated once all borrowings were repaid and pledge cancellation registration procedures were completed.

## 12. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities consisted of the following:

	As of December 31,	
	2021 RMB	2022 RMB
Accrued payroll and welfare	4,373	5,976
Payable for purchase of services	1,210	2,696
Receipt in advance	58	68
Amounts due to students (Note i)	5,494	10,973
Loan from a third party (Note ii)	5,738	4,875
Others	865	1,185
Total	17,738	25,773

(Note i) The balance represented refund to students and HEERF Grant to student received on behalf of students.

(Note ii) Sundry Management, LLC offered an interest-free loan with a one-year term, which was repaid in full on January 27, 2023.

### 13. ORDINARY SHARES

The addition of ordinary shares during the years ended December 31, 2021 and 2022 came from the vest of restricted shares and the grant of restricted shares to consultant and senior management. Refer to Note 14-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).

### 14. 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

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 2020, 2021 and 2022. As of December 31, 2021 and 2022, all share options were vested and previously expensed.

#### Restricted stock awards

On November 22, 2018, the Board of Directors approved to grant 200,000 shares of the restricted stock to senior employees of the Group. 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 Group through each vesting date. In 2020, 2021 and 2022, 50,001, 50,000 and 45,833 shares of restricted stock were vested respectively.

On May 27, 2022, the Board of Directors approved to grant 200,000 fully vested Class A ordinary shares of the restricted stock to a consultant as consideration for its service rendered.

On June 30, 2022, the Board of Directors approved to grant 5,200,000 fully vested Class A ordinary shares of the restricted stock to senior employees of the Group for their services rendered in the past years.

A summary of the restricted stock awards as of December 31, 2021 and 2022 is as follows:

	Year ended December 31, 2021		
	Shares	Grant-date fair value RMB	Weighted Average Remaining Contractual Term
Unvested at beginning of year	121,408	18.10	1.57
Granted	—	—	—
Vested	(50,000)	17.21	—
Forfeited or expired	—	—	—
Unvested at end of year	71,408	18.03	0.62
Shares vested but not issued at end of year	19,935	19.94	—

	Year ended December 31, 2022		
	Shares	Grant-date fair value RMB	Weighted Average Remaining Contractual Term
Unvested at beginning of year	71,408	18.03	0.62
Granted	5,400,000	—	—
Vested	5,445,832	0.16	—
Forfeited or expired	—	—	—
Unvested at end of year	25,576	21.58	—
Shares vested but not issued at end of year	19,935	21.58	—

The Group recorded share-based compensation expenses from continuing operations of RMB 947, RMB 883 and RMB 7,468 in general and administrative expense for the restricted stock awards for the years ended December 31, 2020, 2021 and 2022, respectively, and the unrecognized share-based compensation expenses was RMB nil as of December 31, 2022.

## 15. TAXATION

### a. 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.

#### US

Significant components of the provision for income taxes on earnings for the years ended December 31, 2020, 2021 and 2022 from continuing operations are as follows:

	Years ended December 31,		
	2020 RMB	2021 RMB	2022 RMB
Current:	2,274	237	—
Deferred:	(5,918)	(3,457)	—
Income tax benefits	(3,644)	(3,220)	—

The principal components of the Group's deferred tax assets and liabilities were as follows:

	As of December 31,	
	2021 RMB	2022 RMB
<b>Deferred tax asset:</b>		
Accrued expense	520	749
Allowance for doubtful accounts	2,036	2,128
Depreciation	409	584
Lease Liability	42,389	15,367
Tax loss carried forward	25,560	41,233
Total deferred tax assets	70,914	60,061
Valuation allowance	(28,547)	(45,375)
<b>Deferred tax assets, net of valuation allowance</b>	<b>42,367</b>	<b>14,686</b>
<b>Deferred tax liabilities:</b>		
- Unrealized gain on acquisition/disposal	1,282	1,351
- Right-of-use assets	41,085	13,335
<b>Total deferred tax liabilities</b>	<b>42,367</b>	<b>14,686</b>
<b>Deferred tax assets, net of valuation allowance and deferred tax liabilities</b>	<b>—</b>	<b>—</b>

The following represents the amounts and expiration dates of operating loss carried forwards for tax purpose:

	Amount RMB
2023	—
2024	—
2025	—
2026	—
2027 and thereafter	302,095
Total	302,095

For entities incorporated in U.S., federal net loss generated before 2018 of RMB 843 can be carried forward for 20 years and will begin to expire in 2037. Federal net loss generated in 2018 and onward of RMB 148,853 can be carried forward indefinitely. State net loss of RMB 152,399 can be carried forward for 20 years and will begin to expire in 2037.

The Company is subject to income tax in the U.S. federal jurisdiction. The Company has not been audited by the U.S. Internal Revenue Service in connection with income taxes. The Company's tax years beginning with the year ended December 31, 2016, through December 31, 2021, generally remain open to examination by the Internal Revenue Service until its net operating loss carry-forwards are utilized and the applicable statutes of limitation have expired. The Group had no unrecognized tax benefits as of December 31, 2022 and 2021, respectively.

The following represents a roll-forward of the valuation allowance for each of the years:

	As of December 31,	
	2021 RMB	2022 RMB
Balance at beginning of the year	18,299	28,547
Allowance made during the year	10,248	16,828
Reversals	—	—
NOL expire	—	—
Balance at end of the year	28,547	45,375

Reconciliation between total income tax expense and the amount computed by applying the US statutory income tax rate to income before income taxes is as follows:

	Years ended December 31,		
	2020 %	2021 %	2022 %
Weighted average statutory income tax rate	(21)%	(21)%	(21)%
States taxes, net of federal benefit	(9)%	(2)%	(5)%
Tax effect of non-deductible expenses	10 %	(7)%	(4)%
Tax effect of tax-exempt entities	(60)%	— %	4 %
Changes in valuation allowance	48 %	23 %	26 %
Effective tax rate	(32)%	(7)%	— %

Income /(loss) before income taxes from continuing operations is attributable to the following geographic locations for the years ended December 31:

	Year ended December 31,		
	2020	2021	2022
United States	(43,746)	(42,930)	(50,387)
Foreign	32,428	(2,915)	(13,429)
Total loss before income taxes	<b>(11,318)</b>	<b>(45,845)</b>	<b>(63,816)</b>

## 16. NET LOSS/INCOME 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,		
	2020 RMB	2021 RMB	2022 RMB
<b>Numerator:</b>			
Numerator for basic and diluted loss per share from continuing operations	(7,674)	(42,625)	(63,816)
Numerator for basic and diluted (loss) income per share from discontinued operations	(55,037)	45,627	(33,252)
<b>Denominator:</b>			
Denominator for basic (loss) income per share weighted average ordinary shares outstanding	44,372,326	46,654,853	49,458,266
Denominator for diluted (loss) income per share weighted average ordinary shares outstanding	44,372,326	46,654,853	49,458,266
<b>Basic and Diluted loss per share from continuing operations</b>	<b>(0.17)</b>	<b>(0.91)</b>	<b>(1.29)</b>
<b>Basic and Diluted (loss) income per share from discontinued operations</b>	<b>(1.24)</b>	<b>0.98</b>	<b>(0.67)</b>

Basic (loss) income per share is computed using the weighted average number of the ordinary shares outstanding during the year. Diluted income (loss) per share is computed using the weighted average number of ordinary shares and ordinary equivalent shares outstanding during the year. Nil share was included in the calculation of diluted income per share for the year of 2020, 2021 and 2022.

## 17. LEASES

The Group has operating leases for classrooms, dormitories, and corporate offices.

The components of lease expense from continuing operations were as follows:

	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
Operating lease expense	29,222	30,048

Supplemental cash flow information related to leases from continuing operations was as follows:

	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	21,085	16,454

Supplemental balance sheet information related to leases was as follows:

	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
Weighted-average Remaining Lease Term		
Operating leases	4.16 Years	3.16 Years
Weighted-average Discount Rate	—	—
Operating leases	4.25 %	4.25 %

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, 2022.

The Group performed impairment test on the operating lease right-of-use assets and recognized impairment loss from continuing operations in RMB nil for the year ended December 31, 2020, 2021 and 2022.

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, 2022.



As of December 31, 2022, maturities of lease liabilities were as follows:

	<b>Amount RMB</b>
2023	21,356
2024	17,505
2025	16,601
2026	3,022
2027	—
Thereafter	—
Total lease payments	58,484
Less: interest	(3,569)
Total	54,915
Less: current portion	(15,299)
Non-current portion	39,616

As of December 31, 2022, the Group had no material operating or finance leases that had not yet commenced.

## 18. CONTINGENCIES

As of December 31, 2022, there are no claims, lawsuits, investigations and proceedings, including un-asserted claims that are probable to be assessed, that have in the recent past had, or to the Group's knowledge, are reasonably possible to have, a material change on the Group's financial position results of operations or cash flow.

From time to time, the Group is involved in various other legal and regulatory proceedings arising in the normal course of business. While the Group cannot predict the occurrence or outcome of these proceedings with certainty, it does not believe that an adverse result in any pending legal or regulatory proceeding, individually or in the aggregate, would be material to the Group's consolidated financial condition or cash flows; however, an unfavorable outcome could have a material adverse effect on the Group's results of operations.

## 19. ACQUISITION

### 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. On October 4, 2021, the Group reached an agreement with the seller to settle the subsidy receivable from the seller, current and non-current, with the consideration payable due to the seller. As of December 31, 2021, the net subsidy receivable has been fully collected.

The Group used the following valuation methodologies to value assets acquired, liabilities assumed and intangible assets identified:

- (a) Property and equipment were valued using the cost approach;
- (b) 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;
- (c) Accreditation was valued using the multi-period excess earning method approach;
- (d) 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:

	RMB	Amortization Period (in years)
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.

## 20. DISPOSAL OF SUBSIDIARIES

In the year ended December 31, 2022, 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 Group's business, therefore the disposals did not qualify as discontinued operations. The Company recognized loss from the disposal of those subsidiaries in a collective amount of RMB 1,124 in the year ended December 31, 2022.

## 21. 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

The following table presents the quantitative information about the Group’s Level 3 fair value measurements of intangible assets for to the impairment test in 2021 and 2022, which utilize significant unobservable internally-developed inputs:

	Fair value	Valuation techniques	Unobservable inputs	Range of discount rates
Intangible assets in 2021	10,418	Relief-from-royalty method	Royalty rate	1%-6 %
			Discount rate	13.8%-16 %
			Terminal growth rate	3 %
Intangible assets in 2022	7,312	Relief-from-royalty method	Royalty rate	1%-6 %
			Discount rate	13%-15 %
			Terminal growth rate	3 %

## 22. 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 in the U.S. and PRC. 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.

The Group evaluates its concentrations of the continuing operations are as follows:

No single customer represented 10% or more of the Group’s total revenues for the years ended December 31, 2020, 2021 and 2022.

No single supplier represented 10% or more of the Group's total costs of sales for the years ended December 31, 2020, 2021 and 2022.

No single debtor accounted for 10% or more of the Group's consolidated accounts receivable and other non-current assets as of December 31, 2021 and 2022.

The debtors who accounted for 10% or more of the Group's consolidated prepaid and other current assets as follows:

Debtors	As of December 31,			
	2021		2022	
	RMB	%	RMB	%
<b>Prepaid and other current assets</b>				
Purchaser	—	— %	41,788	98 %

## 23. SUBSEQUENT EVENTS

The Group has evaluated subsequent events to the balance sheet date of December 31, 2022 through April 27, 2023, the date of issuance of the consolidated financial statements, there were no other subsequent events occurred that would require recognition or disclosure in the Group's consolidated financial statements except for the below.

On February 28, 2023, the Company consummated a private placement of ordinary shares and accompanying warrants to an institutional investor, and issued 5,000,000 ordinary shares of the Company and accompanying warrant to purchase up to 2,000,000 ordinary shares of the Company, generating total proceeds of US\$ 2.0 million. The warrant is exercisable upon issuance and has a three-year term from the exercise date. The exercise price of the warrant is US\$ 0.80 per share. As of the date of this report, the warrant has not been issued.

On January 19, 2023, The New England Commission of Higher Education ("NECHE") has informed Bay State College of its intention to withdraw Bay State College's accreditation as of August 31, 2023. The determination was based on NECHE's opinion that the College could not come into compliance with Institutional Resources (Accreditation Standard 7) within three years. The decision has no bearing on the quality of the Bay State College's educational program or outcomes. On March 20, 2023, the appeal panel of NECHE has affirmed NECHE's decision to withdraw. Without NECHE accreditation, Bay State College will not be able to disburse Title IV funding to its students for classes after August 2023, and will not be able to disburse VA funding to its students for classes after Spring semester ends.

The Company's plan is to keep its nursing teaching staff and teaching equipment, and to partner with hospitals in creating training institutions that provide pre-service education for nursing staff.

### List of Subsidiaries and Consolidated Affiliated Entities

As of December 31, 2022, the Company's subsidiaries and consolidated affiliated entities 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 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 of Architecture and Design, LLC ("NewSchool")	March 6, 2020	United States	100 %	CP&CE Programs

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, 2022 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 27, 2023

/s/ Jin Huang

Name: Jin Huang

Title: President and Chief Executive Officer  
(Principal Executive Officer)

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CERTIFICATION BY PRINCIPAL FINANCIAL 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, 2022 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 27, 2023

/s/ Jin Huang

Name: Jin Huang

Title: Acting Chief Financial Officer  
(Principal Financial Officer)

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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, 2022, 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 27, 2023

/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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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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jin Huang, 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 27, 2023

/s/ Jin Huang

Name: Jin Huang

Title: Acting 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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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Ambow Education Holding Ltd. on Form F-3 (File No. 333-264878) of our report dated April 27, 2023, with respect to our audits of the consolidated financial statements of Ambow Education Holding Ltd. as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 appearing in the Annual Report on Form 20-F of Ambow Education Holding Ltd. for the year ended December 31, 2022. We also consent to the reference to our firm under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

New York, NY  
April 27, 2023

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