Ambow Education Holding Ltd.
Form 424B4
June 01, 2018
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-220207

1,800,000 American Depositary Shares
Representing 3,600,000 Class A Ordinary Shares
Ambow Education Holding Ltd., or Ambow, is offering American Depositary Shares ("ADSs"). Each ADS represents the right to receive two Class A ordinary shares, par value US$0.003 per share. The public offering price is US$4.25 per ADS.
Prior to this offering, ADSs representing our Class A ordinary shares (each such ADS representing two Class A ordinary shares) traded in the Over the Counter Market in the U.S. under the symbol "AMBOY." However, the market for the ADSs has been inactive and illiquid and accordingly such transactions are not representative of an actual trading market for the ADSs. We have been approved to list the ADSs on the NYSE American under the symbol "AMBO."
Under our Sixth Amended and Restated Memorandum and Articles of Association, our authorized share capital is divided into 66,666,667 Class A ordinary shares and 8,333,333 Class C ordinary shares with 1,666,667 undesignated preferred shares. Dr. Jin Huang, our Chairman and Chief Executive Officer, is the beneficial owner of all of the issued and outstanding Class C ordinary shares. After the consummation of this offering, Dr. Huang will hold 56.24% voting control over all of the ordinary shares, assuming all 3,600,000 Class A ordinary shares are sold in this offering.
Our Class A ordinary shares and Class C ordinary shares have identical rights, except for the special voting and conversion rights described below:

- Voting rights — Each Class A ordinary share is entitled to one vote and each Class C ordinary share is entitled to ten votes on all matters upon which the ordinary shares are entitled to vote, including the election of directors.

- Conversion rights attaching to shares — Each Class C ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible under any circumstances. If at any time Dr. Huang, her affiliates collectively own less than 5% of the total number of the issued and outstanding Class C ordinary shares, each issued and outstanding Class C ordinary share shall be automatically and immediately converted into one share of Class A ordinary shares without payment of additional consideration and no Class C ordinary shares shall thereafter be issuable by us.

For a complete description of our share capital see "Description of Shares and Governing Documents" on page 144.
Investing in the ADSs involves a high degree of risk. You should read carefully the "Risk Factors" beginning on page 11 of this prospectus before investing in our Class A ordinary shares or ADSs that are the subject of this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Public offering price	$ 4.25	$ 7,650,000
Underwriting discount and commissions(1)	$ 0.2975	$ 535,500
Proceeds, before expenses, to us	$ 3.9525	$ 7,114,500

(1)
In addition to the underwriting discount, we have agreed to pay certain of the expenses of Benchmark incurred in connection with this offering. See “Underwriting.”

The underwriters have an option exercisable within 45 days from the date of this prospectus to purchase up to 270,000 of additional ADSs from us at the public offering price, less the underwriting discount, solely to cover over-allotments.

The underwriters expect to deliver the ADSs against payment in U.S. dollars in New York, New York on or about June 5, 2018.

Benchmark

Prospectus dated June 1, 2018

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You should rely only on the information contained in this prospectus, any amendment or supplement to this prospectus or any free writing prospectus prepared by us or on our behalf. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of these securities, or soliciting any offers to buy these securities, in any jurisdiction where the offer or solicitation is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our ADSs.

Neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required other than the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of our ADSs set forth in, and the possession and distribution of, this prospectus outside of the United States.

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We obtained statistical data, market data and other industry data and forecasts used throughout this prospectus from market research, publicly available information and industry publications. While we believe that the statistical data, industry data and forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of the information.

CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

Except where the context requires otherwise and for purposes of this prospectus 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", "we", "us", "our company", "the company", "the Group" and "our" refer to Ambow Education Holding Ltd. and its subsidiaries and, in the context of describing our operations and consolidated financial data, also include our VIEs and their respective subsidiaries.

- "China" or "PRC" refers to the People's Republic of China, excluding for the purpose of this prospectus, Hong Kong, Macau and Taiwan.

- "GaoKao" refers to university entrance exams administered in China.

- "RMB" or "Renminbi" refers to the legal currency of China.

- "U.S. GAAP" refers to the Generally Accepted Accounting Principles in the United States.

- "VIEs" refers to our variable interest entities, which are certain domestic PRC companies in which we do not have direct or controlling equity interests but whose historical financial results have been consolidated in our financial statements in accordance with U.S. GAAP.

- "ZhongKao" refers to high school entrance exams administered in China.

- "$", "US$" or "U.S. dollars" refers to the legal currency of the United States.

This prospectus contains translations of certain RMB amounts into U.S. dollars at specified rates solely for the convenience of the reader. All translations from RMB to U.S. dollars were made at the noon buying rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. Unless otherwise stated, the translation of RMB into U.S. dollars has been made at the exchange rate on December 29, 2017, which was RMB6.5063 to US$1.00. We make no representation that the RMB or U.S. dollar amounts referred to in this prospectus could have been converted into U.S. dollars or RMB, as the case may be, at any particular rate or at all. See "Risk factors — Risks related to doing business in China — Fluctuations in the value of the RMB may have a material adverse effect on your investment." On May 25, 2018, the exchange rate was RMB6.3903 to US$1.00.

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PROSPECTUS SUMMARY

We are a Cayman Islands holding company that operates our business through variable interest entities, which we do not directly own. The following summary does not contain all of the information you should consider before investing in our ADSs. You should read the following summary together with the entire prospectus carefully, including the “Risk Factors” section beginning on page 11 and the financial statements and the accompanying notes to those financial statements beginning on page F-1 before making an investment decision. Unless otherwise indicated, all information in this prospectus assumes no exercise of the underwriters’ over-allotment option.

Our Mission

Our mission is to provide Better Schools, Better Jobs and Better Life to our students.

Our Business

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

We have three business divisions, “Better Schools”, “Better Jobs” and “Others”, and four operating segments, which are K-12 schools, tutoring, career enhancement and others. Our K-12 schools and tutoring segments are within our Better Schools division and our career enhancement segment is within our Better Jobs division. The segment of Others represents the intellectualized operational services provided, and is classified under the Others division.

We currently deliver our wide range of educational and career enhancement services and products through integrated offline and online channels in an interactive learning environment, powered by our proprietary technology platform. This platform enables us to provide individualized content and learning solutions tailored to each of our students’ needs, and to develop both standards-based and individualized curricula with consistent high-quality across our schools, tutoring centers, career enhancement centers, training offices and campus.

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

We recently launched intellectualized operational services business through IValley Beijing Technology Co. Ltd. (“IValley Beijing”). We initiated a new business to provide intellectualized operational services to corporate clients, colleges and universities. Our intellectualized operational services integrate electronic equipment and devices with software applications, data analytics and wireless technology to transform operational networks enhancing efficiency, lower costs and improving experiences. The services consist of advisory services such as design and architecture, implementation services such as hardware deployment and application development, as well as optimization services. The services aim to leverage smart

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technologies to enhance the management experience for facilities, lighting, security, and staff. We developed mobile applications for users to punch time clocks, open and close lockers, turn on and off office gates, lights, air conditioners, set up remote visual conferences and manage other office administrative services through the applications. We will proactively introduce our intellectualized operational services to more universities and colleges to provide students access to educational resources regardless of the location or device, increasing the potential for learning and teaching through cooperation with peers and experts worldwide and optimizing facilities to create a sustainable campus.

Our Industry

China's educational and career enhancement services market is comprised of several segments, including government-run public schools, private schools, tutoring programs, universities and colleges and career enhancement services, which are large and growing. China's educational and career enhancement services market is fragmented today with no clear leader and a large number of smaller, niche players performing services and offering programs within one or a few of the segments.

Each of the segments within China's educational and career enhancement services market has distinct characteristics. K-12 school education is predominantly offered by public and, to a lesser extent, private schools. These schools provide educational services and programs to their students with regionalized curriculum. Tutoring programs are increasingly run by private organizations focused on helping students achieve better grades in their schools and prepare for standardized tests for entrance into both high schools and universities. Career enhancement services are aimed at university, community college and vocational students and focus on preparing individuals to start their careers or enhance their career opportunities.

Common features of the disparate but related sectors within China's educational and career enhancement services market include significant growth opportunities, demand driven by demographic trends and stiff competition for academic advancement, and a fragmented competitive landscape. These sectors are growing both in terms of absolute size and in terms of importance due to the following factors within China:

- Rapid economic growth. According to the International Monetary Fund ("IMF"), China has been the 2nd largest economy in the world since 2010 in terms of gross domestic product, or GDP, which amounted to over $11.2 trillion in 2016 and is expected to grow to over $17.7 trillion by 2022. Also, according to the IMF, China's Nominal GDP per capita has increased at a CAGR of 104.2% from approximately RMB4,524 in 2010 to approximately RMB8,113 in 2016, and is expected to continue to grow at a CAGR of 7.3% from 2016 to 2022.

- Growth in disposable household income. As a result of China's rapid economic growth, Chinese consumers have greater amounts of disposable income and have significantly increased their spending.

- Favorable demographic and urbanization trends. According to the China Statistical Yearbook, in 2015 approximately 32.8% of China's total population were between the ages of 5 and 29, an age group that ranges from school-age children to young and working adults who we believe are most likely to pursue educational opportunities and continuing career enhancement training and certification. Statistics published by the Chinese Ministry of Education, or the MOE, in 2015 showed that there were approximately 97 million students from 6 to 12 years old attending elementary schools, 43 million students from 13 to 15 years old attending junior high schools, 40 million students from 15 to 18 years old attending senior high schools and 36 million students from 15 to 22 years old attending universities and vocational high schools. Children from 6 to 15 years old are required to attend elementary and junior high school on weekdays under China's nine-year compulsory education system. In addition, the trend towards increasing urbanization in China is expected to result in more people seeking job and career advancement opportunities in urban areas. Further, urban citizens are increasingly recognizing that higher education may lead to greater rewards in terms of income and career opportunities.

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Increasing awareness of the importance of higher and professional education. We believe people in China are increasingly willing to invest in higher and professional education as it may lead to

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better career opportunities and enhanced earning power. We also believe that the market for post-secondary education and career enhancement services in China is expected to grow due to demand from various sources, including demand from employers for well-trained professionals, demand from an increasing number of high school and university graduates seeking employment that requires practical skills and professional certifications, and demand from working professionals who wish to further achieve their career and salary advancement potential.

- Need to differentiate oneself from peers. Each step of academic advancement in China from compulsory education to high school to college to the job market requires an individual to differentiate oneself. Despite China's rapid economic growth, university students in China are experiencing difficulties in finding an ideal job that meets their salary and personal growth expectations upon graduation. According to the 2017 Chinese College Graduates' Employment Annual Report by MyCOS Research, the employment rate for university students who graduated in 2016 was approximately 91.6%, almost the same rate as in 2015 and 2014. However, the research report also states that only about 65% of college graduates were satisfied with their jobs. We believe that in this highly competitive job market many students may choose to enhance their core skill sets by taking additional training courses and other students may choose to develop additional skill sets to differentiate themselves from their peers in order to get a better job. This may create demand for our services and products, particularly on our career enhancement services.

The key industry dynamics in the education and career enhancement market set out above create the following opportunities:

- Sustainable premium fees for high-quality providers based on our experience in the educational and career enhancement services market, we believe that increased demand for high-quality providers will allow those providers to charge higher fees for their premium services over time;
- Significant benefits to those who can standardize their business practices. By standardizing our business practices across our schools, tutoring centers, training offices, career enhancement centers and campus, we believe we will be able to improve operational and teaching efficiencies;
- Significant advantages for those with the ability to provide services throughout a student's learning cycle; and
- Significant advantages for those with the ability to expand quickly and efficiently through either organic or acquisition growth.

There are two fundamental market demands that need to be addressed in China's educational and career enhancement services market: the demand for high-quality educational services for K-12 students and the demand for career enhancement services for post-secondary students.

Our Competitive Strengths

We believe that the following competitive strengths significantly contribute to our success and differentiate us from our competitors:

- Well-known "Ambow" brand;
- Established well-respected company providing education and career enhancement services in China and United States;
- Core proprietary technology — a "Learning Engine" — that is unique to the industry;

- A U.S. patent in the field of adaptive learning methods — the first China-based education company to achieve this recognition;

- Individualized curriculum with consistently high-quality across our schools, tutoring centers, training offices, career enhancement centers and campus;

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- Robust infrastructure based on our technology platform that has proved to be effective in supporting the expansion of our business operations; and

- Strong management team with global experience and local education expertise.

Our Strategies

We aspire to become a global educational service provider and maintain our position as an established and well-respected company providing educational and career enhancement services in China and United States. We intend to do this by continuing to address the two most critical issues in a student's learning cycle, attending a better school and obtaining a better job, by pursuing the following strategies:

- Continue to build our brand and reputation;

- Continue to expand into new markets and service offerings;

- Continue to improve operating efficiency;

- Continue to create synergies through selective acquisition opportunities;

- Continue to enhance the customer experience throughout a student's learning cycle, which ranges from the time they are in elementary school through and, to a lesser extent, beyond the commencement of their careers; and

- Continue our effort in re-establishing a solid foundation for future growth by closing-down non-performing business and establishing intellectualized operational services as a new revenue driving business.

Our Challenges

Our business and the successful execution of our strategies are subject to certain challenges, risks and uncertainties related to our business and our industry, regulation of our business and our corporate structure and doing business in China. The challenges we will face include, but are not limited to:

- Our control of our VIEs is based upon contract rather than equity;

- We face potential risks associated with our ability to fund our expansion plans, including acquisitions, and our operations due to fund restrictions both from currency transfer and conversion restrictions placed on us by the PRC government and our ability to use school profits based on restrictions that include statutory reserve requirements; and

- We may have to address issues impacting certain land use rights for our owned and leased properties.

The risks and uncertainties related to our business and our industry include, but are not limited to:

- Uncertainties regarding our ability to continue to attract students to enroll in our programs;

- Our ability to manage our business expansion and increasingly complicated operations effectively;
- Our ability to use, protect and enhance our brands;
- Our ability to compete effectively in the marketplace;
- Our ability to remediate our material weakness and maintain an effective system of internal controls; and
- Our ability to make acquisitions and to successfully integrate these acquisitions and establish and maintain strategic relationships.

See “Risk factors” for a more detailed discussion of these and other risks and uncertainties that we may face.

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Recent Developments

On March 7, 2018, we mutually agreed with Sino Accord Investments Limited (“Sino Accord”) and Suzhou Zhixinliren Investment Co., Limited (“Suzhou Zhixinliren”) to extend the maturity date for repayment of the loans for an additional year. Accordingly, both loans are now due in April 2019 and still interest-free.

Our Corporate Structure

See “Business-Corporate Structure” for a more detailed illustration of our corporate structure.

Principal Executive Office

Our principal executive office is located at 12th Floor, Tower 1, Financial Street, Chang’an Center, Shijingshan District, Beijing 100043, People’s Republic of China. Our telephone number at this address is +86 (10) 6206-8000. Our registered office in the Cayman Islands is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Our telephone number at this address is +1 (345) 949-8066.

Investors should submit any inquiries to the address and telephone number of our principal executive office. Our principal websites are www.ambow.com and www.ambow.com.cn. Information contained on our websites is not part of this prospectus. Our agent for service of process in the United States is C T Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

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The Offering

ADSs offered by us

1,800,000 ADSs

Price per ADS

US$4.25 per ADS.

Over-allotment

We have granted a 45 day option (commencing from the date of this prospectus) to the underwriters to purchase an additional 270,000 ADSs to cover over-allotments, if any.

ADSs to be outstanding after the offering(1)

4,460,941 ADSs (or 4,730,941 ADSs if the underwriters exercise their over-allotment option in full).

Class A Ordinary shares to be outstanding after the offering

37,857,251 Class A ordinary shares (or 38,397,251 Class A ordinary shares if the underwriters exercise their over-allotment option in full).

Class C Ordinary shares to be outstanding after the offering

4,708,415 Class C ordinary shares

Ordinary Shares

Our outstanding share capital consists of Class A and Class C ordinary shares. Holders of Class A ordinary shares and Class C ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote on all matters subject to shareholders' vote, and each Class C ordinary share is entitled to ten votes on all matters subject to shareholders' vote.

Use of proceeds

We intend to use the net proceeds from this offering for general corporate purposes, including upgrading and expanding our schools and learning centers, teacher training programs and research and development of our educational content, and to fund our working capital.

The ADSs

Each ADS represents the right to receive two Class A ordinary shares. The ADSs may be evidenced by American Depositary Receipts ("ADRs"). As an ADS holder, we will not treat you as one of our ordinary shareholders. The depositary, or its nominee, will be the holder of all the Class A ordinary shares underlying the ADSs. You will have ADS holder rights as provided in the deposit agreement (the "Deposit Agreement"). Under the deposit agreement, you may instruct the depositary how to vote the Class A ordinary shares underlying the ADSs. Subject to the terms of the Deposit Agreement, the depositary will pay you the cash dividends or other distributions it receives on those Class A ordinary shares after deducting its fees and expenses and applicable withholding taxes. You must pay a fee for issuance or cancellation of ADSs, distribution of Class A ordinary shares by the depositary and other depositary services, as provided in the Deposit Agreement. You are entitled to the

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delivery of the Class A ordinary shares underlying the ADSs upon the surrender of such ADSs at the depositary's office, the payment of applicable fees and expenses and the satisfaction of applicable conditions as set forth in the Deposit Agreement. To better understand the terms of the ADSs, you should carefully read the section in this prospectus entitled "Description of American Depositary Shares." We also encourage you to read the Deposit Agreement, which is an exhibit to the registration statement that includes this prospectus.

Depositary

Citibank, N.A.

Lock-up

We, our directors, executive officers, our certain of our shareholders have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus. See "Shares Eligible for Future Sale" and "Underwriting."

Risk factors

Investment in the ADSs involves a high degree of risk. See "Risk Factors" in this prospectus beginning on page 11 for a discussion of factors and uncertainties that you should consider in evaluating an investment in our securities.

NYSE American symbol

We have been approved to list the ADSs on the NYSE American under the symbol "AMBO."

Expected timing of this offering

June 5, 2018

(1)
The number of ADSs that will be outstanding after this prospectus is based on 2,660,941 ADSs outstanding as of June 1, 2018.

Unless otherwise indicated, the information in this prospectus assumes no exercise of the underwriters' over-allotment option to purchase additional ADSs and does not reflect 212,580 outstanding options with a weighted average exercise price of $0.4749 per share.

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Summary Consolidated Financial Information

You should read the following summary consolidated financial information in conjunction with our consolidated financial statements and related notes, "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The following summary consolidated financial data presented below for the years ended December 31, 2015, 2016 and 2017 and as of December 31, 2015, 2016 and 2017 is derived from our audited consolidated financial statements included elsewhere in this prospectus, which were prepared in accordance with U.S. GAAP. Our audited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Historical results are not necessarily indicative of results to be expected in any future period.

(in thousands, except share, per share and per ADS information)	Fiscal Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$
Consolidated Statement of Operations				
Data:				
Net revenues				
– Educational programs and services	395,715	412,016	432,754	66,513
– Intellectualized operational services	—	—	11,170	1,717
Total net revenue	395,715	412,016	443,924	68,230
Cost of revenue				
– Educational programs and services	(245,945)	(238,742)	(249,400)	(38,332)
– Intellectualized operational services	—	—	(6,995)	(1,075)
Total cost of revenue	(245,945)	(238,742)	(256,395)	(39,407)
Gross profit	149,770	173,274	187,529	28,823
Selling and marketing(1)	(55,511)	(41,818)	(36,710)	(5,642)
General and administrative(1)	(280,634)	(145,513)	(142,252)	(21,864)
Research and development(1)	(7,308)	(7,572)	(6,262)	(962)
Impairment loss	(162,351)	(22,402)	—	—
Operating (loss)/income	(356,034)	(44,031)	2,305	355
Other (expenses)/income	(39,371)	12,924	53,234	8,183
(Loss)/income before income tax, non-controlling interest and discontinued operations	(395,405)	(31,107)	55,539	8,538
Income tax benefit/(expense)	118,963	(5,911)	(9,614)	(1,478)
(Loss)/income from continuing operations	(276,442)	(37,018)	45,925	7,060
Income from and on sale of discontinued operations, net of income tax	340,798	—	—	—
Net income/(loss)	64,356	(37,018)	45,925	7,060
Less: Net income/(loss) attributable to non-controlling interests	617	(1,318)	(538)	(83)
Net income/(loss) attributable to ordinary shareholders interests	63,739	(35,700)	46,463	7,143

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(in thousands, except share, per share and per ADS information)	Fiscal Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$
Net (loss)/income from continuing operations per ordinary share(2)				
Basic	(7.52)	(0.93)	1.20	0.18
Diluted	(7.52)	(0.93)	1.18	0.18
Net income from discontinued operations per ordinary share(2)				
Basic	9.25	—	—	—
Diluted	9.25	—	—	—
Net (loss)/income from continuing operations per ADS(2)				
Basic	(15.04)	(1.86)	2.40	0.36
Diluted	(15.04)	(1.86)	2.36	0.36
Net income from discontinued operations per ADS(2)				
Basic	18.50	—	—	—
Diluted	18.50	—	—	—
Weighted average shares used in calculating net income/(loss) per share(2)				
Basic	36,848,816	38,469,234	38,826,800	38,826,800
Diluted	36,848,816	38,469,234	39,303,760	39,303,760

(1)
Share-based compensation expense included in:

	Fiscal Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$
	(in thousands)			
Selling and marketing	(457)	—	—	—
General and administrative	(49,371)	(7,828)	(4,640)	(713)
Research and development	(289)	—	—	—

(2)
Basic and diluted net income/(loss) from continuing operations per ordinary share is computed by dividing net income/(loss) from continuing operations by the weighted average number of shares outstanding for the period. Basic and diluted net income/(loss) from discontinued operations per ordinary share is computed by dividing net income/(loss) from discontinued operations by the weighted average number of shares outstanding for the period. The potentially dilutive options and restricted shares were excluded from the calculation of diluted net income/(loss) from continuing/discontinued operations per share in those periods where their inclusion would be anti-dilutive. All per share amounts and shares outstanding for all periods have been retroactively restated to reflect Ambow Education Holding Ltd.'s 1-for-30 reverse stock split, which was effective on September 4, 2015.

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Consolidated Statement of Balance Sheet Data:	As of December 31, 2015	2016	2017	
	RMB	RMB	RMB	US$
	(in thousands)			
Cash and cash equivalents	246,303	196,900	195,303	30,018
Total current assets	682,624	616,527	572,723	88,026
Total assets	982,204	953,023	977,420	150,226
Total current liabilities	839,381	838,002	762,552	117,201
Total liabilities	839,381	838,002	811,461	124,719
Total equity/(deficit)	142,823	115,021	165,959	25,507

Consolidated Statement of Cash Flow Data:	Fiscal Year Ended December 31, 2015	2016	2017	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash (used in)/provided by operating activities	(40,119)	17,535	20,210	3,106
Net cash provided by/(used in) investing activities	58,214	(65,218)	(61,078)	(9,386)
Net cash provided by/(used in) financing activities	12,830	(1,504)	39,205	6,026

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RISK FACTORS
Investment in our ADSs involves a high degree of risk. You should consider carefully the following information about these risks, together with other information contained in this prospectus, before investing in our ADSs. If any of the following risks actually occurs, our business, financial condition and results of operations could suffer. If this happens, the trading price of our ADSs could decline and you may lose all or part of your investment.
Risks Related to Our Business and Industry
If we are not able to continue to attract students to enroll in our programs, our net revenues may decline and we may not be able to maintain profitability.
The success of our business largely depends on the number of student enrollments in our programs and the amount of fees that our students are willing to pay for our courses. Therefore, our ability to continue to attract students to enroll in our programs without significantly decreasing course fees is critical to the continued success and growth of our business. This will depend on several factors, including our ability to develop new programs and enhance existing programs to respond to changes in market trends and student demands, expanding our geographic reach, managing our growth while maintaining the consistency of our teaching quality, effectively marketing our programs to a broader base of prospective students, developing and licensing additional high-quality educational content and responding to competitive pressures. Our partner schools are subject to the government imposed annual enrollment quota limit. If we were to violate requirements to which we are subject the Ministry of Education of the People's Republic of China ("MOE"), could reduce the annual enrollment quota at our partner schools or restrict the programs we offer at our partner schools or the methods by which we recruit new students. If we are unable to continue to attract students to enroll in our programs without significantly decreasing course fees, our net revenues may decline and we may not be able to achieve profitability, either of which could result in a material adverse effect on our business, results of operations and financial condition.
If we are not able to continue to attract and retain qualified education professionals, we may not be able to maintain consistent teaching quality throughout our school and learning center network and our brand, business and results of operations may be materially and adversely affected.
Our education professionals are critical to maintaining the quality of our services, software products and programs, and maintaining our brand and reputation, as they interact with our students on a regular basis. We must continue to attract qualified education professionals who have a strong command of the subject areas to be taught and who meet our qualifications. There are a limited number of education professionals in China with the necessary experience to satisfy our qualifications, and we must provide competitive compensation packages to attract and retain qualified teachers and tutors. Some of our education professionals are teachers of public schools that are working at our tutoring centers on a part-time basis. Paid tutoring by teachers of public schools has received more regulatory scrutiny recently. On January 11, 2014, MOE promulgated the Measures for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers (the "Measures") related to some of our substantial business operations in provinces and cities such as Beijing, Tianjin, Chengdu, Jiangsu, Hunan and Hubei. The Measures prohibit teachers of primary and secondary schools from teaching, on a part-time basis, in schools or in out-of-school learning centers during the work week or at any time. Public school teachers may join private schools only after ending their employment with public schools. Some of our teachers also work in public schools. If these education professionals choose to leave, or are forced to leave, our learning centers to comply with relevant local regulations, we will need to seek new teachers to replace them which we may not be able to do at a reasonable cost or at all. If these regulations become the trend and are adopted in more provinces and cities or become more restrictive, we may need to seek additional new teachers in more places, which will further increase the difficulty of our recruiting efforts. While there have been no existing nationwide regulations imposing any penalty on private schools like ours for hiring teachers who also teach at public schools, we cannot assure you that such regulations will not be adopted in the future. In addition, we may not be able to hire and retain enough qualified education professionals to keep pace with our anticipated growth or at acceptable costs while maintaining consistent teaching quality across many different schools, learning centers and programs in different geographic locations. Shortages of

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qualified education professionals, or decreases in the quality of our instruction, whether actual or perceived in one or more of our markets, or an increase in hiring costs, may have a material and adverse effect on our business and our reputation. Further, our inability to retain our education professionals may hurt our existing brands and those brands we are trying to develop, and retaining qualified teachers at additional costs may have a material adverse effect on our business and results of operations.

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

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

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

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

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

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

Competition could result in loss of market share and revenue, lower profit margins and limit our future growth. A number of our current and potential future competitors may have greater financial and other resources than we have. 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.

Our student enrollments may decrease due to intense competition, and we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our net revenues and profitability may decrease. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressures effectively, we may lose our market share and our profitability may be materially adversely affected.

We may 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.

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

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

- Ensuring and demonstrating to our students that the acquisitions will not result in adverse changes in service standards or business focus;

- Consolidating and rationalizing corporate IT and administrative infrastructures;

- Retaining qualified education professionals for our acquired entities;

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- Consolidating service and product offerings;

- Coordinating and rationalizing research and development activities to enhance introduction of new products and technologies with reduced cost;

- Preserving strategic, marketing or other important relationships of the acquired entity and resolving potential conflicts that may arise with our key relationships; and

- Minimizing the diversion of management attention from ongoing business concerns.

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 increased from RMB 395.7 million in 2015 to RMB 412.0 million in 2016, and further increased to RMB 443.9 million (US$68.2 million) in 2017. Comparing our results of operations on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual net revenues and costs and expenses as a percentage of net revenues may be significantly different from our historical or projected rates. Our quarterly and annual net revenues and gross margins may fluctuate due to a number of factors, including:

- The mix of our net revenues across our operating segments;

- The increase of costs associated with our strategic expansion plans;

- The revenue and gross margin profiles of our acquisitions in a given period;

- Our ability to successfully integrate our acquisitions and the timing of our post-integration activities;

- Our ability to reduce our costs as a percentage of our net revenues;

- Increased competition; and

- Our ability to manage our financial resources, including administration of bank loans and bank accounts.

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

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

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

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

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

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.

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

There are continuous changes in the focus of the subjects and questions tested on ZhongKao and GaoKao in China, and the format of the tests and the manner in which the standardized tests are administered. These changes require us to continually update and enhance our curriculum, test preparation materials and our teaching methods. Any inability to track and respond to these changes in a timely and cost-effective manner would make our services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students without a significant decrease in course fees. Further, we understand the MOE has been discussing reforms to curriculum of K-12 schools. Therefore, school curriculum will likely undergo changes and our tutoring and test preparation programs and materials will need to adapt to such changes. Failure to timely respond to such changes will adversely impact our tutoring services.

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

A substantial majority of the net revenues generated in our tutoring segment in the year ended December 31, 2016 and 2017 were generated from tutoring services focused on preparing for ZhongKao and GaoKao. There have been changes in some areas in the way ZhongKao is administered. For example, beginning in 2010, Yunnan Province stopped administering ZhongKao. Instead, high schools will admit students based on a combination of a comprehensive evaluation of the students' aptitude (provided by their middle schools) and the students' middle school academic performance. To ensure the success of the educational reform and cultivate students' comprehensive abilities, Yunnan Province also prohibits subject competitions in elementary and middle schools, including Olympic math competitions, and standardizes admission policies regarding adding points to middle school test scores based on a student's extracurricular activities. As for GaoKao, some top universities such as Peking University have been allowed to recruit students through independently administered tests and admission procedures in recent years. The candidates still need to take GaoKao and their scores in GaoKao may not be lower than certain thresholds, but such GaoKao scores will not be the sole determining factor in the admission process. Students admitted

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in this manner generally should not exceed 5% of the annual enrollment quotas of these universities as approved by the MOE. To the extent ZhongKao, or even GaoKao, becomes less prevalent throughout China, our business and results of operations may be materially adversely affected.

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

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

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

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

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

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

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

Third parties may initiate litigation against us alleging infringement upon their intellectual property rights. In the event of a future successful claim of infringement or misappropriation and our failure or

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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.

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.

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

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

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

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

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

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Approximately half of our servers and routers including backup servers are currently hosted by third-party service providers within China, and the rest are currently hosted by us. Bay State College self-hosts all of its production and backup servers in Boston and its Disaster Recovery location in Taunton. A growing number of services are SAAS and these servers are hosted by a third party in different locations inside and outside the United States. To improve the performance and to prevent the disruption of our services, we may have to make substantial investments to deploy additional servers or one or more copies of our websites to mirror our online resources.

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 and career enhancement centers and adversely affect our financial results.

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

We are not aware of any actions, claims or investigations being contemplated by the competent governmental entities with respect to the defects in our leased real properties. However, if we are unable to use the existing properties, enter new leases or renew our current leases in a timely basis and on terms favorable to us, our business, results of operations and financial condition could be materially adversely affected. No impairment loss was made against the capital lease in 2016 and 2017.

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

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

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

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

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

In accordance with U.S. GAAP, we account for our acquisitions using the acquisition method of accounting, and such acquisitions have resulted in significant goodwill and intangible assets. These assets may become impaired in the future, which could have a material adverse effect on our results of operations following such acquisitions. We are required under U.S. GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment annually, or more frequently, if facts and circumstances warrant a review. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include a decline in stock price and

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market capitalization and slower or declining growth rates in our industry. During 2016, we recognized an impairment loss of RMB 22.4 million mainly due to decline of business in tutoring segment. During 2017, we did not recognize any impairment loss. 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, or 2010 Equity Incentive 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, 2017, we recorded share-based compensation expenses of RMB 4.6 million for the restricted stock and the unrecognized share-based compensation expenses amounted to RMB 3.6 million as of December 31, 2017. The expenses associated with share-based compensation may reduce the attractiveness of issuing share options or restricted shares under our equity incentive plan. However, if we do not grant share options or restricted shares, or reduce the number of share options or restricted shares that we grant, we may not be able to attract and retain key personnel. If we grant more share options or restricted shares to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our net income.

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

In order to enjoy the preferential tax treatment to be exempted from income tax on profits and to be entitled to a 50% reduction in income tax rate and to maintain the “Software Enterprise” status, entity is required to obtain a Certificate of Software Enterprise issued by the provincial IT industry administration authorities through meeting the following conditions: (a) its primary business includes computer software development and production, system integration, application services and other related technical services because an enterprise which only engages in software trading is not qualified, (b) it has developed one or more software products or has intellectual property rights to such products, or provides such services as certified computer information system integration, (c) it has the technical equipment and business location

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required to engage in software development and related technical services, (d) it has the means and ability to control the quality of its software products and technical services, (e) its technicians engaging in product development and technical services make up no less than 50% of the staff, (f) its research and development expenses for software technology and products make up more than 6% of its software revenues, and (g) its annual software sales make up more than 35% of its total annual revenue and the sales of self-produced software make up more than 50% of the software sales. Pursuant to the Criteria for Recognition and Administrative Measures of Software Enterprises, Software Enterprises are subject to annual inspections by the local software industry associations or other relevant associations authorized by the Ministry of Industry and Information Technology ("MIIT"). Software Enterprises which fail such annual inspections may not, for the current year, enjoy the relevant incentive policies including the preferential tax treatment.

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

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

The growth rate of China's domestic product in 2017 was 6.9%, compared to a growth rate of 6.7% in 2016 and 6.9% in 2015. A number of factors contributed to this slowdown in China's economy, including tightening macroeconomic measures and monetary policies adopted by the PRC government aimed at preventing overheating of China's economy and controlling China's high level of inflation. Since we derive substantially most of our revenues from students in China, any prolonged slowdown in the Chinese economy may have a negative impact on our business, results of operations and financial condition in a number of ways. For example, our students may decrease or delay spending with us, while we may have difficulty expanding our customer base fast enough, or at all, to offset the impact of decreased spending by our existing students. The adverse economic conditions, if they continue or worsen, will affect consumer spending generally, which could result in decreased demand for our services and products within our target markets.

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, 2017 and concluded that our internal control over financial reporting was effective as of December 31, 2017.

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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.

Risks related to regulation of our business and our corporate structure

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

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

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

We conduct our K-12 school and tutoring business and provide online services in China primarily through contractual arrangements between Beijing Ambow Shengying Education and Technology Co., Ltd. (“Ambow Shengying”) and Beijing Ambow Chuangying Education and Technology Co., Ltd. (“Ambow Chuangying”), our principal operating subsidiaries in China, and our VIEs, and their respective shareholders.

According to the Foreign Investment Industries Guidance Catalog, or Foreign Investment Catalog, which was amended and promulgated by the National Development and Reform Commission (“NDRC”), and the Ministry of Commerce (“MOFCOM”) on March 10, 2015 and became effective on April 10, 2015, foreign investment is encouraged to participate in vocational training services beyond educational services. The foreign investment in higher education, ordinary senior high school education and pre-school education has to take the form of a Sino-foreign cooperative joint venture led by Chinese parties. Foreign investment is banned from compulsory education, which means grades 1 – 9. Foreign investment is allowed to invest in after-school tutoring services, which do not grant diplomas. NDRC and MOFCOM promulgated The Foreign Investment Industries Guidance Catalog on June 28, 2017, which will come into effect on July 28, 2017, and the abovementioned policy does not change. However, many local government authorities do not allow foreign-invested entities to establish private schools to engage in tutoring services, other than in the forms of Sino-foreign cooperative schools or international schools. Under current PRC laws, the foreign contributors of Sino-foreign cooperative schools shall be foreign educational institutions such as universities or colleges instead of foreign companies. As of December 31, 2017, we had a total of 39 centers and schools, comprised of 9 tutoring centers, 3 K-12 schools, 8 career enhancement centers, 18 training offices and 1 career enhancement campus. We conduct our education business in China primarily

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through contractual arrangements among our subsidiaries in China and VIEs. The majority of our VIEs and their respective subsidiaries, as PRC domestic entities, hold the requisite licenses and permits necessary to conduct our education business in China and operate our tutoring centers, K-12 schools and career enhancement centers.

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

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

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

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

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The MOFCOM published a discussion draft of the proposed Foreign Investment Law on January 19, 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to create its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating the foreign investments in China and may also impact viability of our current corporate structure, corporate governance and business operations to some extent.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. As such, the jurisdiction of incorporation of an entity is not the ultimate determining factor as to whether or not it's an FIE. The draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM or its local branches, treated as a PRC domestic investor provided that the entity is "controlled"

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by PRC entities and/or citizens. In this connection, "control" is broadly defined in the draft law to cover, among others, having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE and its investment amount exceeds certain thresholds or its business operation falls within a "negative list", market entry clearance by the MOFCOM or its local branches would be required. On March 2, 2016, MOFCOM and NDRC issued the Draft Market Access Negative List (for Pilot Implementation). This Draft will be first implemented in Tianjin Municipality, Shanghai Municipality, Fujian Province and Guangdong Province, preliminarily sets out such industries, fields and business as are prohibited or restricted for investment or operation within the territory of PRC. It consists of a total of 328 items, including 96 prohibited items and 232 restricted items.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. We set up the VIE structure to address the uncertainties for securing licenses and permits which may be required for our business operation. See "Risk Factors — Risks Related to regulation of our business and our corporate structure — Our VIEs and their respective subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations. See "Regulations — Foreign investment in education service industry" and "Regulations — Regulations on Chinese-foreign cooperation in operating schools". Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is on the "negative list", the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies, PRC citizens or PRC state owned enterprises or agencies). Conversely, if the actual controlling person(s) is/are of non-Chinese nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal. More than 50% of the total share capital of our company is actually controlled by foreign nationals. However, the draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with a VIE structure, although a few possible options were proffered to solicit comments from the public. Under these options, a company with VIE structures and in the business on the "negative list'' at the time of enactment of the new Foreign Investment Law has either the option or obligation to disclose its corporate structure to the authorities, while the authorities, after reviewing the ultimate control structure of the company, may either permit the company to continue its business by maintaining the VIE structure (when the company is deemed ultimately controlled by PRC investors), or determine otherwise based on circumstantial considerations. Moreover, it is uncertain whether our business will be subject to the foreign investment restrictions or prohibitions set forth in the "negative list" to be issued, we face uncertainties to maintain our VIE structure in the future.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

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

Under the Act Governing Relations Between The People Of The Taiwan Area And The Mainland Area issued by the Taiwan Executive Yuan in July 31, 1992 and revised in June 17, 2015, together with the Method Allowing Investment In Taiwan From People Of The Mainland Area, any individual, organization,

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

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

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

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

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

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

The shareholders of our VIEs are also employees of our company, and one of them, Xuejun Xie, is a director of certain of our VIEs as well as the vice president of our company. Conflicts of interest between their dual roles may arise. We cannot assure you that when conflicts of interest arise, any or all of these

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

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

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

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

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

As of December 31, 2017, we had a total of 32 schools that were registered as private schools as opposed to companies. Of the 32 schools, 4 schools were registered as schools not requiring reasonable returns. The other 28 schools were registered as schools requiring reasonable returns. The total net revenue of the schools requiring reasonable returns accounted for 71.9% and 72.0% of our consolidated total net revenue for the year ended December 31, 2016 and 2017, respectively. The total net revenue of the schools not requiring reasonable returns accounted for 1.9% and 2.2% of our consolidated total net revenue for the year ended December 31, 2016 and 2017. Both schools requiring reasonable returns and not requiring reasonable returns reported a net loss position for the year ended December 31, 2016 and 2017.

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

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

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

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

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

We are highly dependent upon revenue generated from our three K-12 schools which was 47.2%, 54.0% and 52.4% for the year ended December 31, 2015, 2016 and 2017, respectively. Chinese regulators have broad powers to regulate the tuition, accommodation and other fees charged by primary, secondary and other schools and student enrollment levels at these schools. As a result, new regulations could adversely impact the fees we receive from the schools to which we provide course materials and software products and the student enrollments at our directly-operated schools and at our partner schools, as well as the returns from the K-12 schools operated by our Chinese affiliated entities. The tuition, accommodation and other fees charged by our degree programs and our K-12 schools are subject to various price controls administered by local price-control authorities and our student enrollment in our independent college is subject to annual enrollment quotas established by the MOE. In light of the substantial increase in tuitions and other education-related fees in China in recent years, China’s price-control authorities may impose stricter price control on tuition changes in the future. As of the date of this prospectus, there is no indication from the MOE or the relevant authorities that the government would significantly change the tuition charges or student annual enrollment quotas. If the tuition charges were to be decreased or if they

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were not allowed to increase in line with increases in our costs because of the actions of China's administrative price controls or if student enrollments at private schools were restricted, our net revenue and profitability would be materially adversely affected.

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

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

Beijing Ambow Shida Education Technology Co., Ltd. ("Ambow Shida") held an ICP license issued by Beijing Communications Administration, the local counterpart of the MIIT. Ambow Shida is now in the process of reapplying its ICP license. Due to the uncertainties of implementation of relevant regulations by different authorities, we cannot assure you that Ambow Shida could satisfy or will be able to satisfy all the requirements for a PRC Internet content provider.

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

Risks Related to Doing Business in China

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

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

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

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocating resources, controlling the incurrence

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and payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Changes in any of these policies, laws and regulations could adversely affect the economy in China or the education or career enhancement market, which could harm our business.

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

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

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

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

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

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

We have implemented various measures to control the location and usage of the chops, as well as new mechanisms for retaining control over the chops used by the VIEs, such as: (i) centralizing the chop monitoring procedure through our President's office in our headquarters located in Beijing, PRC, where we maintain a ledger to strictly monitor and review the usage of the chops; (ii) employed new management teams to individual schools to replace management positions previously governed by the former owners of the deconsolidated entities; (iii) centralizing the operations of each school and tutoring center by (x) setting up Financial Share Service Centers across the company and standardizing the company's Finance and Operation Policies throughout the company, and (y) Implementing new ERP systems to standardize operations, enhance central controls, and create synergy of the company's resources; and (iv) streamlining

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the internal control structure with effective communication channels and regular management meetings. We however cannot assure you that unauthorized access to or use of those chops can be totally precluded. To the extent those chops are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and the operations of these entities could be significantly and adversely impacted. There were entities deconsolidated in 2013 and 2014 due to loss of control and the company has lost the custody of the company chops and other important company legal documents, which was regained by December 31, 2015.

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

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

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

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

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

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

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

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries and affiliated entities, which could harm our liquidity and our ability to fund and expand our business.
As an offshore holding company of our PRC operating subsidiaries and affiliated entities, we may make loans to our PRC subsidiaries and VIEs or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries or consolidated PRC affiliated entities are subject to PRC regulations. For example:
Loans by us to our wholly-owned subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange ("SAFE"), or its local counterparts; and
Loans by us to our VIEs and their respective subsidiaries, which are domestic PRC entities, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts.
We may also decide to finance our wholly-owned subsidiaries by means of capital contributions. These capital contributions shall be registered with or approved by the PRC Ministry of Commerce or its local counterparts. We are not likely, however, to finance the activities of our VIEs and their respective subsidiaries by means of capital contributions due to regulatory issues related to foreign investment in domestic PRC entities, as well as the licensing and other regulatory issues discussed in the "Regulation" section of this prospectus. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or our VIEs or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.
On March 30, 2015, SAFE promulgated Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or Circular 19, which became effective on June 1, 2015. Circular 19 facilitates foreign-invested enterprises' domestic equity investment with the amount obtained from foreign exchange settlement. Other than to transfer equity investment funds in the original currencies, the foreign-invested enterprises whose main business is investment (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are allowed to directly settle their foreign exchange capitals and transfer the amount therefrom to the account of an invested enterprise according to the actual amount of investment. Ordinary foreign-invested enterprises other than those of the aforesaid types shall make domestic equity investments by capital transfer in the original currencies governed by the prevailing provisions on domestic re-investment.
Presently none of Ambow Shengying, Ambow Chuangying or our other subsidiaries wholly owned by equities is registered as an investment company. We do not intend to turn these entities into investment companies because to do so these subsidiaries would have to satisfy criteria promulgated by MOFCOM and be approved by MOFCOM or its provincial counterparts before registration with the administration for industries and commerce, which is difficult to accomplish and time consuming. As a result, if capital is injected into Ambow Shengying, Ambow Chuangying and our other subsidiaries as increased registered capital, we may not convert such proceeds into RMB to fund acquisitions of the VIEs and their respective subsidiaries, and our ability to expand our business may be adversely affected.
While we may not transfer capital through our wholly-owned subsidiaries for the purpose of domestic acquisitions, we may use our capitals to acquire PRC companies or schools that do not include compulsory education through Wenjian Gongying, an RMB fund established in Suzhou as a venture capital joint venture, subject to the PRC industrial policy for foreign investment. If we use our capital to make acquisitions through Wenjian Gongying in entities that are in restricted industries, like high schools, without receiving proper approvals or in entities that are in prohibited industries, like schools that provide compulsory education, we may be subject to significant fines of unknown amounts or other sanctions.
If we use our capital for the business of Ambow Shengying, Ambow Chuangying or our other wholly-owned subsidiaries, we are also required to apply to the authority of commerce for approval for an increase of their respective registered capital given that the original registered capital of these subsidiaries

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have been fully paid. We cannot assure you that we can obtain such approvals in a timely manner or at all. If we are unable to use our capital to fund our PRC operating entities or their subsidiaries or to make strategic acquisitions, it could have a material adverse effect on our expansion plans and future growth.

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

The EIT Law and its Implementing Regulations, which became effective on January 1, 2008, provide that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises." The Implementing Regulations of the PRC EIT Law define the term "de facto management bodies" as a body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located in China. Following Circular 82, on July 27, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation), or Resident Enterprise Administrative Measure, which was effective as of September 1, 2011. This Resident Enterprise Administrative Measures provide clarification of resident status determination, post-determination administration, as well as competent tax authorities. Circular 82 further provides that, among other things, an entity that is classified as a "resident enterprise" in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined as a "resident enterprise," any dividend, profit and other equity investment gain shall be taxed in accordance with the Enterprise Income Tax Law and its implementing rules. However, Circular 82 and Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in by PRC individuals, like our company. Currently there are no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management bodies" and it is still unclear if the PRC tax authorities would determine that we should be classified as a PRC "resident enterprise".

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

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

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698 is retroactively effective from January 1, 2008. There is uncertainty as to the application of Circular 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having

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no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax.

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

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

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

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

In November 2017, we acquired 100% of the outstanding shares of common stock of Bay State College in the United States to expand our career-oriented international education portfolio. In 2017, the review and approval process from SAFE with respect to obtaining foreign currency denominated borrowings and making direct overseas investment became more stringent in China. The review and approval from SAFE takes a longer period of time, and more supporting files are required. As a result, the new restrictions on foreign exchange for capital expenditure prevented us from raising enough US dollars

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for the acquisition of Bay State College. In order to fund the acquisition costs and the operational needs of the company, we borrowed a one-year interest-free US dollar loan of US$6.0 million from Sino Accord, a non-affiliated third party lender. At the same time, we provided a one-year interest-free RMB loan of RMB 42.7 million to Suzhou Zhixinliren, another non-affiliated party finance company. It is the understanding among the parties that the US dollar loan is correlated to the RMB loan, and when the US dollar loan is repaid, the RMB loan will similarly be collected. Without providing RMB loan to Suzhou Zhixinliren, we would not be able to obtain US dollar loan from Sino Accord in compliance with applicable regulations, mainly the Regulations for the Implementation of Foreign Exchange Management in People's Republic of China. In light of the capital from the US dollar loan and its operational cash flow, Bay State College Inc. is able to generate enough liquidity to support its future operations in the near term. Therefore we do not currently intend to rely on US dollar borrowings to continue funding Bay State College's operations. On March 7, 2018, we mutually agreed with Sino Accord and Suzhou Zhixinliren to extend the maturity date for repayment of the loans for an additional year. Accordingly, both loans are now due in April 2019. With the extended maturity date of the loans, or if there are other significant overseas capital expenditures in the future requiring currencies other than RMB, we may either apply for a permit from the SAFE to purchase foreign currencies or pursue other offerings resulting in US dollar proceeds to obtain enough US dollars to meet such shortage in foreign currency. The loan extension agreements have been filed as exhibits to the registration statement of which this prospectus forms a part. We have not been a lender of funds to non-affiliated parties historically, and we do not intend to do so in the future.

If we fail to settle our RMB and US dollar loans properly, it may be considered as unauthorized currency exchange arrangement and we may face penalties from local authorities.

In order to fund the acquisition costs and working capital needs in US dollars, on April 5, 2017, we entered into an agreement to receive a one-year interest-free US dollar loan from Sino Accord. This short-term loan is considered correlated to our one-year interest-free RMB loan to Suzhou Zhixinliren, and when we repay the US dollar loan, the RMB loan will be repaid. Without providing an RMB loan to Suzhou Zhixinliren, we would not be able to obtain the US dollar loan from Sino Accord in compliance with applicable regulations, mainly the Regulations for the Implementation of Foreign Exchange Management in People's Republic of China. On March 7, 2018, we mutually agreed with Sino Accord and Suzhou Zhixinliren to extend the maturity date for repayment of the loans for an additional year. Accordingly, both loans are now due in April 2019. Please refer to Note 9 and Note 15 of the consolidated financial statements for details.

The loan agreements are not individually regulated by the foreign currency exchange and cross border guarantee rules of China. However if we fail to repay the US dollar loan to Sino Accord or collect the RMB loan from Suzhou Zhixinliren when the agreements due, these transactions may be considered as unauthorized foreign exchange arrangements by the SAFE. The regulatory authority may deem the transactions as, in substance, a currency exchange arrangement or an onshore guarantee for an offshore loan, and we may be subject to severe monetary penalties under such circumstances. According to Regulations for the Implementation of Foreign Exchange Management in People's Republic of China, the upper limits of the monetary penalties can range from 30 to 100 percent of the deemed illegal loan amounts. On March 7, 2018, we mutually agreed with Sino Accord and Suzhou Zhixinliren to extend the maturity date for repayment of the loans for an additional year. Accordingly, both loans are now due in April 2019. With the extended maturity date of the loans, we shall either apply for a permit from the SAFE for our purchase of US dollars or pursue other future offerings resulting in US dollar proceeds to obtain enough US dollars to repay Sino Accord.

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.

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

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

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

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

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

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

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

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

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

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

M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Further to the M&A Rules, the Anti-monopoly Law of the PRC, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Rules, was promulgated by MOFCOM in August 2011, which establishes additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC enterprise, or that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to

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be subject to merger control review and/or security review. The MOFCOM Security Review Rules, effective from September 1, 2011, which implements the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, further provides that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through agreements control or off shore transactions. Further, if the business of any target company that the combined company seek to acquire falls into the scope of security review, the combined company may not be able to successfully acquire such company either by equity or by asset acquisition, capital contribution or through any VIE Agreement. The combined company may grow its business in part by acquiring other companies operating in its industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approvals from MOFCOM, may delay or inhibit its ability to complete such transactions, which could affect its ability to maintain or expand its market share.

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

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

We face risks related to natural disasters and health epidemics in China, 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 or the outbreak of health epidemics in China. For example, in May 2008, Sichuan Province suffered a strong earthquake measuring approximately 8.0 on the Richter scale that caused widespread damage and casualties. In addition, in the last decade, the PRC has suffered health epidemics related to the outbreak of avian influenza and severe acute respiratory syndrome, or SARS. In April 2009, an outbreak of the H1N1 virus, also commonly referred to as “swine flu”, occurred in Mexico and spread to other countries, including Hong Kong and mainland China. The Chinese government and certain regional governments within China have enacted regulations to address the H1N1 virus specifically within the education services market, which may have an effect on our business. Any future natural disasters or health epidemics in the PRC could also severely disrupt our business operations and have a material adverse effect on our business and results of operations.

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

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

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Risks Related to Ownership of our ADSs, our Trading Market and this Offering

Our ADSs were delisted from the NYSE and are now quoted in the OTC Markets, which have limited the liquidity and price of the ADSs

On October 6, 2014, our ADSs were removed from listing on the NYSE and subsequently began quotation in the OTC Markets. Although we remain as an SEC registered company and will continue to file our Annual Reports on Form 20-F, the liquidity of the OTC Markets is very limited and many institutions are prohibited from transacting in securities in the OTC Markets. Volatility in the price of our ADSs may be caused by factors outside of our control and may be unrelated or disproportionate to changes in our results of operations. We cannot assure you that an active public market for the ADSs will develop or that the market price of our ordinary shares will not decline below the public offering price. The public offering price of our ordinary shares was determined in large part by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the trading market following the offering. You may be unable to resell your ADSs at a price that is attractive to you.

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 have been approved to list the ADSs on the NYSE American under the symbol "AMBO". 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 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.

You will experience immediate and substantial dilution in the book value of ordinary shares purchased.

The public offering price per ADS is substantially higher than the net tangible book value per ADS prior to the offering. Accordingly, if you purchase ADSs in this offering, you will incur immediate dilution of US$4.07 per ADS (assuming no exercise by the underwriters of options to acquire additional ADSs), representing the difference between (1) the public offering price of US$4.25 per ADS and (2) the pro forma net tangible book value per ADS of US$0.18 at December 31, 2017 after giving effect to this offering. See "Dilution" in this prospectus for additional information.

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;

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- 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.

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

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

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

Substantial future sales of our ADSs or the anticipation of future sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of substantial amounts of our ADSs or ordinary shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have 42,565,666 ordinary shares outstanding, including 3,600,000 Class A ordinary shares represented by the 1,800,000 ADSs sold in this offering. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. 35,329,438 remaining outstanding shares after this offering will be available for sale upon the expiration of the 180-day lockup period beginning from the date of this prospectus, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of the lead underwriters. Sales of these shares into the market could cause the market price of our ADSs to decline.

In addition, certain holders of our ordinary shares will have the right to cause us to register the sale of their shares under the Securities Act under certain circumstances. See “Shares eligible for future sale” and “Related party transactions — Registration rights.” Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered securities in the public market could cause the price of our ADSs to decline.

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 and 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.

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 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.

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, 2017. However, a separate determination must be made

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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, 2018 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. For more information, see "Taxation — U.S. Federal Income Taxation — U.S. Holders — Passive Foreign Investment Company Rules."

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.

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.

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

Most of our current operations are conducted in China. A majority of our directors and officers reside outside the United States and a substantial portion of their assets are located outside of the United States.

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

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

Holders of our ADSs will only be able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the 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.

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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.
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.
All of our PRC corporate entities, including Ambow Shengying, Ambow Chuangying, Tianjin Ambow Yuhua Software Information Co., Ltd. (“Ambow Yuhua”), our VIEs and their subsidiaries, maintain corporate records and filings with industry and commerce administration authorities where such PRC entities are registered. Information contained in such corporate records and filings includes, among others, business address, registered capital, business scope, articles of association, equity interest holders, legal representative, changes to the above information, annual financial reports, matters relating to termination or dissolution, information relating to penalties imposed, and annual inspection records.
There have been regulations promulgated by various government authorities in PRC that govern the public access to corporate records and filings. Pursuant to the Company Law and Regulations of the People’s Republic of China on the Registration Administration of Companies, the company registration authority shall record the registered items of companies in a company recording book for the consultation and reproduction purposes of the public. The general public may apply to the company registration authority for inspection of the registered items of companies. Under the Measures for Accessing Corporate Records and Filings promulgated on December 16, 1996 by the State Administration for Industry and Commerce (“SAIC”), or the SAIC Measures, a wide range of basic corporate records, except for such restricted information as business results and financial reports, can be inspected by the public without restrictions. Under these SAIC Measures, a company’s restricted information can only be inspected by authorized government officers and officials from judicial authorities or lawyers involved in pending litigation relating to such company and with court-issued proof of such litigation. In practice, local industry and commerce administration authorities in different cities have adopted various regional regulations, which impose more stringent restrictions than the SAIC Measures by expanding the scope of restricted information that the public cannot freely access. Many local industry and commerce administration authorities only allow unrestricted public access to such basic corporate information as name, legal representative, registered capital and business scope of a company. Under these local regulations, access to the other corporate records and filings (many of which are not restricted information under the SAIC Measures) is only granted to authorized government officers and officials from judicial authorities or lawyers involved in pending litigation relating to such company and with court-issued proof of such litigation.

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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.

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus contains many statements that are "forward-looking" and uses forward-looking terminology such as "anticipate," "believe," "could," "estimate," "expect," "future," "intend," "may," "ought to," "plan," "possible," "potentially," "should," "will," "would," negatives of such terms or other similar statements. You should not place undue reliance on any forward-looking statement due to its inherent risk and uncertainty, both general and specific. Although we believe the assumptions on which the forward-looking statements are based are reasonable and within the bounds of our knowledge of our business and operations as of the date of this prospectus, any or all of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions could also be incorrect. The forward-looking statements in this prospectus include, without limitation, statements relating to:

- our goals and strategies;
- our future business development, results of operations and financial condition;
- our ability to protect our intellectual property rights;
- projected revenues, profits, earnings and other estimated financial information;
- our ability to maintain strong relationships with our customers and suppliers;
- our planned use of proceeds;
- governmental policies regarding our industry; and
- economic and business conditions in China.

These risks and uncertainties are not exhaustive. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. The forward-looking statements contained in this prospectus speak only as of the date of this prospectus or, if obtained from third-party studies or reports, the date of the corresponding study or report, and are expressly qualified in their entirety by the cautionary statements in this prospectus. Since we operate in an emerging and evolving environment and new risk factors and uncertainties emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. Except as otherwise required by the securities laws of the United States and China, we undertake no obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

We estimate that our proceeds from this offering, net of underwriting discounts and commissions and the estimated offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option, will be approximately US$6.20 million, based on a public offering price of US$4.25 per ADS.

We intend to use the net proceeds from this offering for general corporate purposes, including to upgrade and expand our schools and learning centers, teacher training programs and research and development of our educational content and to fund working capital of Bay State College. To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest-bearing instruments or bank deposits. By reason of such investments it is possible that we may become a PFIC for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequence to U.S. Holders of our ADSs or ordinary shares. For more information, see "Taxation — U.S. Federal Income Taxation — U.S. Holders — Passive For Investment Company Rules."

In utilizing the proceeds of this offering we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary through loans or capital contributions and to our consolidated affiliated entities through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiaries, VIEs and their respective VIEs or subsidiaries or make additional capital contributions to our PRC subsidiaries to fund their capital expenditures or working capital, as was the case when we received U.S. dollar proceeds from our initial public offering in 2010 and extended such inter-company loans and capital contributions. Based on our previous experience and current discussions with relevant parties, we expect it will take six to twelve months to obtain registrations and approvals from SAFE or its local counterparts to extend such intercompany loans or make such capital contributions to our PRC subsidiaries with the proceeds of this Offering. Accordingly, we cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all.

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MARKET INFORMATION

Prior to this offering from August 5, 2010 until October 6, 2014, our ADSs were traded on the NYSE in the U.S. On October 6, 2014, our ADSs were removed from listing on the NYSE and began quotation in the OTC markets after we failed to timely file our Annual Report on Form 20-F for the fiscal years ended December 31, 2012 and 2013, which was during the time we were controlled by the Joint Provisional Liquidators during the ongoing Audit Committee Investigation that resulted in our inability to provide audited financial information for inclusion in such filings. We have been approved to list the ADSs issued in this offering and the ADSs outstanding at the time of this offering on the NYSE American under the symbol "AMBO."

The following table sets forth, for the periods indicated, the reported high and low closing prices on the OTC Market of our ADSs in US dollars.

	High US$	Low US$
Year Ended		
December 31, 2013	76.50	27.30
December 31, 2014	28.50	0.30
December 31, 2015	4.90	0.30
December 31, 2016	6.00	3.25
December 31, 2017	6.20	2.50
Quarter Ended		
March 31, 2015	1.50	0.30
June 30, 2015	1.50	0.60
September 30, 2015	4.20	0.90
December 31, 2015	4.90	0.50
March 31, 2016	4.41	4.00
June 30, 2016	4.30	4.00
September 30, 2016	4.80	3.25
December 31, 2016	6.00	4.25
March 31, 2017	6.00	4.00
June 30, 2017	6.20	4.00
September 30, 2017	5.10	2.50
December 31, 2017	4.49	2.50
Month Ended		
January 2017	6.00	5.00
February 2017	5.50	4.00
March 2017	6.00	4.00
April 2017	6.20	5.50
May 2017	5.50	4.00
June 2017	4.50	4.00
July 2017	4.50	4.00
August 2017	5.10	4.50
September 2017	4.50	2.50
October 2017	2.50	2.50

November 2017	4.49	2.50
December 2017	4.00	3.50
January 2018	3.50	0.01

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	High US$	Low US$
February 2018	3.50	3.20
March 2018	3.20	0.01
April 2018	2.00	0.01
May 2018	6.00	2.00

We entered into a deposit agreement with the Depositary and the holders from time to time of the ADSs issued thereunder pursuant to which a sponsored American Depositary Receipt facility was made available with respect to the Class A ordinary shares. The ADSs offering hereby will be represented by ADRs issued pursuant to a Deposit Agreement with respect to the Class A ordinary shares.

As of June 1, 2018, we had 61 holders of record of the Class A ordinary shares, of which 5 had registered addresses in the U.S. and held a total of 5,767,362 Class A ordinary shares. A nominee for Citibank, N.A., as depositary, is the registered holder for the holders of ADSs representing ordinary shares. According to Citibank's registry, there were 4 registered holders of ADSs representing 5,321,882 ordinary shares as of June 1, 2018. Holders of record having registered addresses in the U.S., together with the registered holders of ADSs representing Class A ordinary shares in Citibank's registry, held an aggregate of approximately 16.8% of the total number of outstanding Class A ordinary shares on such date. The above numbers may not be representative of the actual number of U.S. beneficial holders or the number of ordinary shares beneficially held by U.S. persons.

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DIVIDEND POLICY

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

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

Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our Class A 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 Class A ordinary shares, if any, will be paid in U.S. dollars. See “Description of American Depositary Shares — Dividends and distributions.”

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2017, on:

- an actual basis; and
- an as adjusted basis to reflect:
  - the sale of 1,800,000 ADSs in this offering at the public offering price of US$4.25 per ADS; and
  - the application of net proceeds therefrom.

You should read this table in conjunction with our financial statements and related notes included in this prospectus, and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	December 31, 2017			
	Actual		As Adjusted	
	RMB	US$	RMB	US$
	(in thousands, except for share data)			
Shareholders' Equity:				
Class A Ordinary shares				
(US$0.003 par value; 66,666,667 shares authorized; 34,206,939 shares issued and outstanding as of December 31, 2017; 37,806,939 outstanding, as adjusted)	640	98	709	109
Class C Ordinary shares				
(US$0.003 par value; 8,333,333 shares authorized; 4,708,415 shares issued and outstanding as of December 31, 2017)	90	14	90	14
Additional paid-in capital	3,456,307	531,225	3,496,557	537,411
Statutory reserve	20,036	3,079	20,036	3,079
Accumulated deficit	(3,316,715)	(509,770)	(3,316,715)	(509,770)
Accumulated other comprehensive income	6,876	1,056	6,876	1,056
Total shareholders' equity	167,234	25,702	207,573	31,899

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DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the public offering price per Class A ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value as of December 31, 2017 was US$-0.06 per ordinary share and US$-0.12 per ADS. Net tangible book value per ordinary share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of ordinary shares outstanding. Dilution is determined by subtracting net tangible book value per ordinary share from the assumed public offering price per Class A ordinary share. Because our Class A ordinary shares and Class C ordinary shares have identical right, except for the special voting and conversion rights, the dilution is presented here based on all ordinary shares, including Class A ordinary shares and Class C ordinary shares.

After deducting underwriting discounts and commissions and estimated expenses of the offering payable by us, the net tangible book value per ordinary share would increase to US$0.09 per ordinary share (or US$0.18 per ADS), or US$0.12 per ordinary share (or US$0.24 per ADS) if the underwriters' over-allotment option is exercised in full. This represents an immediate increase in net tangible book value of US$0.15 per ordinary share (or US$0.30 per ADS) to our existing shareholders or US$0.18 per ordinary share (or US$0.36 per ADS) if the underwriters' over-allotment option is exercised in full, and an immediate dilution of US$2.04 per ordinary share (or US$4.07 per ADS) to purchasers of ADSs in the offering or US$2.01 per ordinary share (or US$4.01 per ADS), if the underwriters' over-allotment option is exercised in full.

The following table illustrates this dilution on a per ordinary share basis and a per ADS basis assuming that all ADSs are exchanged for ordinary shares:

	Per Ordinary Share	Per ADS
Public offering price	$ 2.125	$ 4.25
Net tangible book value per ordinary share as of December 31, 2017	$ (0.06)	$ (0.12)
Increase in net tangible book value attributable to the sale of the ADSs	$ 0.15	$ 0.30
Pro forma net tangible book value after this offering	$ 0.09	$ 0.18
Dilution to purchasers of ADSs in the offering	$ 2.04	$ 4.07

If the underwriters' over-allotment option is exercised in full, the number of Class A ordinary shares held by existing shareholders will be reduced to 89% of the total number of Class A ordinary shares to be outstanding after this offering and the number of Class A ordinary shares held by the new investors purchasing ADSs will be increased to 4,140,000 Class A ordinary shares or 11% of the total number of ordinary shares outstanding after this offering.

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EXCHANGE RATE INFORMATION

Our business is primarily conducted in China and substantially most of our revenues are denominated in RMB. This prospectus contains translations of certain RMB amounts into U.S. dollars at specified rates solely for the convenience of the reader. All translations from RMB to U.S. dollars were made at the noon buying rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the RMB or U.S. dollar amounts referred to in this prospectus could have been converted into U.S. dollars or RMB, as the case may be, at any particular rate or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the U.S. Federal Reserve Board. On May 25, 2018, the daily exchange rate reported by the Federal Reserve Board was RMB6.3903 to US$1.00.

	Exchange Rate			
	Period End	Average(1)	Low	High
	(RMB per U.S. $1.00)			
Year Ended				
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1704	6.0402	6.2591
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6400	6.4480	6.9580
2017	6.5063	6.7595	6.4773	6.9575
Quarter Ended				
March 31, 2017	6.8832	6.8877	6.8360	6.9575
June 30, 2017	6.7793	6.8586	6.7793	6.9060
September 30, 2017	6.6533	6.6684	6.4773	6.8039
December 31, 2017	6.5063	6.6131	6.5063	6.6533
March 31, 2018	6.2726	6.3530	6.2649	6.5263
Month Ended				
January 2017	6.8768	6.8964	6.8360	6.9575
February 2017	6.8665	6.8694	6.8517	6.8821
March 2017	6.8832	6.8940	6.8687	6.9132
April 2017	6.8900	6.8876	6.8778	6.8988
May 2017	6.8098	6.8843	6.8098	6.9060
June 2017	6.7793	6.8066	6.7793	6.8382
July 2017	6.7240	6.7694	6.7240	6.8039
August 2017	6.5888	6.6670	6.5888	6.7272
September 2017	6.6533	6.5690	6.4773	6.6591
October 2017	6.6328	6.6254	6.5712	6.6533
November 2017	6.6090	6.6200	6.5967	6.6385
December 2017	6.5063	6.5932	6.5063	6.6210
January 2018	6.2841	6.4233	6.2841	6.5263

February 2018	6.3280	6.3183	6.2649	6.3471
March 2018	6.2726	6.3174	6.2685	6.3565
April 2018	6.3325	6.2967	6.3340	6.2655
May 2018	6.3903	6.3631	6.3325	6.3903

(1)
Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

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ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands in order to enjoy the following benefits:

- Political and economic stability;
- An effective judicial system;
- A favorable tax system;
- The absence of exchange control or currency restrictions; and
- The availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include but not limited to:

- The Cayman Islands has a less developed body of securities laws as compared to the United States and provides significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.
- Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders be arbitrated.

Substantially most of our current operations are conducted in China, and substantially most of our assets are located in China. In addition, as set forth in the table below most of our directors and officers are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are or may be located outside the United States.

Name	Position	Nationality	Residence
Jin Huang	Officer and Director	United States	China
John Robert Porter	Director	United Kingdom	United Kingdom
R. Ralph Parks	Director	United States	United States
Ping Wu	Director	China	China
Yanhui Ma	Director	United States	United States
Yigong Justin Chen	Director	China	China
Kia Jing Tan	Chief Financial Officer	Malaysia	China
Chiao-Ling Hsu	Chief Operating Officer	Taiwan	China
Jianguo Xue	Vice President, Sales	China	China
Xuejun Xie	Vice President, Public Relationship and legal affairs	China	China

As a result, it may be difficult for you to effect service of process within the United States upon us or such persons, or to enforce against us or them in courts of the United States, Cayman Islands or China, judgments obtained in United

States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. For example, China does not have treaties with the United States and many other countries providing for the reciprocal recognition and enforcement of judgments of courts. As a result, it may be difficult or impossible for you to bring an original action against us or against these individuals in a Chinese court in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. We have appointed C T Corporation System, New York, New York, as our agent for service of process in the United States with respect to any action brought against us in the United States District Court for the Southern District of New York under the securities laws of the United States or any State of the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

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Walkers, our Cayman Islands counsel, has advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- Is given by a foreign court of competent jurisdiction;
- Imposes on the judgment debtor a liability to pay a liquidated sum (or in certain limited circumstances, orders that the defendant do or refrain from doing a certain thing);
- Is final and conclusive;
- Is not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personal non-money relief; and
- Was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

There is uncertainty with regard to Cayman Islands law related to whether a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company, such as our company. As the courts of the Cayman Islands have yet to rule on making such a determination in relation to judgments obtained from U.S. courts under civil liability provisions of U.S. securities law, it is uncertain whether such judgments would be enforceable in the Cayman Islands.

Walkers has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable (other than a sum payable in respect of taxes, fines, penalties or similar charges) may be subject to enforcement proceedings as debt in the courts of the Cayman Islands under the common law doctrine of obligation.

Beijing DeHeng Law Offices, our counsel as to PRC law, has advised us that there is uncertainty as to whether the courts of China would:

- Recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- Entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Beijing DeHeng Law Offices has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. Under the PRC Civil Procedures Law, courts in China may recognize and enforce foreign judgments pursuant to treaties between China and the country where the judgment is rendered or based on reciprocity arrangements for the recognition and enforcement of foreign judgments between jurisdictions. If there are neither treaties nor reciprocity arrangements between China and a foreign jurisdiction where a judgment is rendered, according to the PRC Civil Procedures Law, matters relating to the recognition and enforcement of a foreign judgment in China may be resolved through diplomatic channels. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States or the Cayman Islands. As a result, it is generally difficult to recognize and enforce in China a judgment rendered by a court in either of these two jurisdictions.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary consolidated financial information in conjunction with our audited consolidated financial statements and related notes beginning on page F-1 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 58 in this prospectus.

The selected consolidated financial data presented below for the years ended December 31, 2015, 2016 and 2017 and as of December 31, 2016 and 2017 is derived from our audited consolidated financial statements included elsewhere in this prospectus beginning on page F-1, which were prepared in accordance with U.S. GAAP. The selected consolidated financial data presented below for the years ended December 31, 2013 and 2014 and as of December 31, 2013 and 2014, have been derived from our audited consolidated financial statements for the years ended December 31, 2013 and 2014, which are not included in this prospectus.

Our audited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Historical results are not necessarily indicative of results to be expected in any future period.

As of December 31, 2015, we completed the disposal of Beijing Jinghan Education and Technology Co., Ltd., Beijing Jinghan Taihe Education Technology Co., Ltd., and Ambow Jingxue (Beijing) Technology Co., Ltd (collectively referred to as the "Jinghan Group"). We have assessed the disposed entities meeting the criteria of discontinued operations as defined in ASC 205. The results of all discontinued operations and the gain or loss recognized on the disposal, less applicable income taxes (benefit), are reported as a separate component of income (loss). In the periods that a discontinued operation is classified as held for sale and for all prior periods presented, the assets and liabilities of the discontinued operations are presented separately on consolidated balance sheet as assets held for sale and liabilities held for sale respectively.

The Group deconsolidated Tianjin Ambow Huaying Education Technology Co., Ltd., which owns the 100% equity interest in Tianjin Heping Huaying School and Tianjin Ambow Huaying School (collectively "Tianjin Tutoring") in September 2013, and deconsolidated Guangzhou Zhi Shan Education Technology Co., Ltd. ("Guangzhou ZS Career Enhancement") and Guangzhou Tianhe Depushi Education Training Center ("Guangzhou DP Tutoring") on December 2013. The Group deconsolidated Jilin Clever Training School ("Jilin Tutoring") on September 2014. By December 31, 2015, the company regained control over the previously deconsolidated subsidiaries, Tianjin Tutoring, Guangzhou ZS Career Enhancement, Guangzhou DP Tutoring and Jilin Tutoring, and reconsolidated these entities in its consolidated financial statements for the years ended December 31, 2015, 2016 and 2017.

On August 31, 2017, we sold the 100% equity interest in Ambow Online to a third party, with nil consideration, and the third party assumed all assets and liabilities of Ambow Online as of August 31, 2017. In connection with the disposal, the company offset the payables to Ambow Online with Ambow Online's net assets attributable to the company as of August 31, 2017. After offsetting, the payable balance due to Ambow Online by the company was RMB 171.1 million. Through further negotiation with the buyer, the payable balance due to Ambow Online by the company was reduced to RMB 137.5 million. The difference of RMB 33.6 million was recognized as disposal gain. Obligation in aggregate amount of RMB 137.5 million would be paid by December 31, 2018. The deal was not a strategic shift of the business and this transaction would not have major impact on Ambow's business, therefore this transaction was not qualified as discontinued operation.

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We established IValley Beijing in September 2017. IValley Beijing is a 100% subsidiary of IValley, a Taiwanese company. IValley is a VIE subsidiary of Ambow Education Management. IValley Bejing'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.

(in thousands, except share, per share and per ADS information)	Fiscal Year Ended December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
Consolidated Statement of Operations Data:						
NET REVENUES						
– Educational programs and services	536,511	411,998	395,715	412,016	432,754	66,513
– Intellectualized operational services	—	—	—	—	11,170	1,717
Total net revenues	536,511	411,998	395,715	412,016	443,924	68,230
COST OF REVENUES						
– Education programs and services	(361,573)	(274,036)	(245,945)	(238,742)	(249,400)	(38,332)
– Intellectualized operational services	—	—	—	—	(6,995)	(1,075)
Total costs of revenues	(361,573)	(274,036)	(245,945)	(238,742)	(256,395)	(39,407)
Gross profit	174,938	137,962	149,770	173,274	187,529	28,823
Selling and marketing(1)	(151,480)	(80,377)	(55,511)	(41,818)	(36,710)	(5,642)
General and administrative(1)	(471,915)	(508,544)	(280,634)	(145,513)	(142,252)	(21,864)
Research and development(1)	(19,545)	(12,259)	(7,308)	(7,572)	(6,262)	(962)
Impairment loss from continuing operations	(84,246)	(292,577)	(162,351)	(22,402)	—	—
Total operating expenses	(727,186)	(893,757)	(505,804)	(217,305)	(185,224)	(28,468)
Operating (loss)/income	(552,248)	(755,795)	(356,034)	(44,031)	2,305	355
Other (expense)/income	(21,932)	(267,861)	(39,371)	12,924	53,234	8,183
(Loss)/income before income tax, non-controlling interest and	(574,180)	(1,023,656)	(395,405)	(31,107)	55,539	8538

discontinued operations						
Income tax benefit/(expense)	10,424	(1,135)	118,963	(5,911)	(9,614)	(1,478)
(Loss)/income from continuing operations	(563,756)	(1,024,791)	(276,442)	(37,018)	45,925	7,060
(Loss)/income from and on sale of discontinued operations, net of income tax	(346,449)	(57,764)	340,798	—	—	—
Net (loss)/income	(910,205)	(1,082,555)	64,356	(37,018)	45,925	7,060
Less: Net (loss)/income attributable to non-controlling interests	(3,387)	(5,742)	617	(1,318)	(538)	(83)
Net (loss)/income attributable to ordinary shareholders interests	(906,818)	(1,076,813)	63,739	(35,700)	46,463	7,143
Net (loss)/income from continuing operations per ordinary share(2)						
Basic	(102.32)	(73.13)	(7.52)	(0.93)	1.20	0.18
Diluted	(102.32)	(73.13)	(7.52)	(0.93)	1.18	0.18
Net (loss)/income from discontinued operations per ordinary share(2)						
Basic	(63.62)	(4.18)	9.25	—	—	—
Diluted	(63.62)	(4.18)	9.25	—	—	—

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(in thousands, except share, per share and per ADS information)	Fiscal Year Ended December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
Net (loss)/income from continuing operations per ADS(2)						
Basic	(204.64)	(146.26)	(15.04)	(1.86)	2.40	0.36
Diluted	(204.64)	(146.26)	(15.04)	(1.86)	2.36	0.36
Net (loss)/income from discontinued operations per ADS(2)						
Basic	(127.24)	(8.36)	18.50	—	—	—
Diluted	(127.24)	(8.36)	18.50	—	—	—
Weighted average shares used in calculating net income/(loss) per share(2)						
Basic	5,464,740	13,928,048	36,848,816	38,469,234	38,826,800	38,826,800
Diluted	5,464,740	13,928,048	36,848,816	38,469,234	39,303,760	39,303,760

(1)
Share-based compensation expense included in:

	Fiscal Year Ended December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Selling and marketing	(2,658)	(351)	(457)	—	—	—
General and administrative	(73,108)	(156,870)	(49,371)	(7,828)	(4,640)	(713)
Research and development	(829)	(144)	(289)	—	—	—

(2)
Basic and diluted net income/(loss) from continuing operations per ordinary share is computed by dividing net income/(loss) from continuing operations by the weighted average number of shares outstanding for the period. Basic and diluted net income/(loss) from discontinued operations per ordinary share is computed by dividing net income/(loss) from discontinued operations by the weighted average number of shares outstanding for the period. The potentially dilutive options and restricted shares were excluded from the calculation of diluted net income/(loss) from

continuing/discontinued operations per share in those periods where their inclusion would be anti-dilutive. All per share amounts and shares outstanding for all periods have been retroactively restated to reflect Ambow Education Holding Ltd.'s 1-for-30 reverse stock split, which was effective on September 4, 2015.

	As of December 31,					
Consolidated Balance Sheet Data:	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousand)					
Cash and cash equivalents	98,962	180,285	246,303	196,900	195,303	30,018
Total current assets	1,083,449	993,736	682,624	616,527	572,723	88,026
Total assets	1,929,298	1,472,684	982,204	953,023	977,420	150,226
Total current liabilities	1,476,087	1,491,336	839,381	838,002	762,552	117,201
Total liabilities	1,531,575	1,525,990	839,381	838,002	811,461	124,719
Total equity/(deficit)	397,723	(53,306)	142,823	115,021	165,959	25,507

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Consolidated Statement of Cash Flow Data:	Fiscal Year Ended December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousand)					
Net cash (used in)/provided by operating activities	(160,544)	(160,367)	(40,119)	17,535	20,210	3,106
Net cash provided by/(used in) investing activities	64,512	110,221	58,214	(65,218)	(61,078)	(9,386)
Net cash provided by/(used in) financing activities	82,885	87,003	12,830	(1,504)	39,205	6,026

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes included in this prospectus beginning on page F-1. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

Overview

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

Intelligent technology is changing education as students are no longer restricted by the traditional learning environment. Intelligent campuses and classes are becoming the trend leading to increased efficiency, cost savings, and improved 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 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 increased from RMB 395.7 million in 2015 to RMB 412.0 million in 2016 and increased to RMB 443.9 million (US$68.2 million) in 2017. The increase from 2015 to 2016 was insignificant. The increase from 2016 to 2017 was mainly driven by higher student enrollment for the 2016 – 2017 academic year in our K-12 schools from the fall semester in 2016, as well as the new income from intellectualized operational services contributed by IValley Beijing.

Our loss from continuing operations improved from RMB 276.4 million in 2015 to RMB 37.0 million in 2016, and further improved to income of RMB 45.9 million (US$7.1 million) in 2017.

Net revenues from our Better Schools division, which includes K-12 schools and tutoring, accounted for 61.1%, 65.7% and 64.8% of our total net revenues from continuing operations in 2015, 2016 and 2017, respectively. Net revenues from our Better Jobs, which includes continuing operations of Career Enhancements, accounted for 38.9%, 34.3% and 32.7% of our total net revenues from continuing operations in 2015, 2016 and 2017, respectively. Net revenue from our Other segment accounted for 2.5% of our total net revenues from continuing operations in 2017. We expect the mix of our net revenues between our Better Schools and Better Jobs divisions to change along with our strategic shift with future initiatives.

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

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In order to fund the acquisition costs and working capital needs in US dollars, on April 5, 2017, we entered into an agreement to receive a one-year interest-free US dollar loan from Sino Accord. This short-term loan is correlated to our one-year interest-free RMB loan from Suzhou Zhixinliren, and when we repay the US dollar loan, the RMB loan will be repaid. On March 7, 2018, we mutually agreed with Sino Accord and Suzhou Zhixinliren to extend the maturity date for repayment of the loans for an additional year. Accordingly, both loans are now due in April 2019. Please refer to Note 9 and Note 15 of the consolidated financial statements for details.

The loan agreements are not individually regulated by the foreign currency exchange and cross border guarantee rules of China. However if we fail to repay the US dollar loan to Sino Accord or collect the RMB loan from Suzhou Zhixinliren when the agreements due, these transactions as a whole may be considered as unauthorized foreign exchange arrangements by the SAFE. The regulatory authority may deem the transactions as in substance a currency exchange arrangement or an onshore guarantee for an offshore loan and we may be subject to severe penalties under this circumstances. On March 7, 2018, we mutually agreed with Sino Accord and Suzhou Zhixinliren to extend the maturity date for repayment of the loans for an additional year. Accordingly, both loans are now due in April 2019. With the extended maturity date of the loans, we shall either apply for a permit from the SAFE for our purchase of US dollar or pursue other future offerings resulting in US dollar proceeds to obtain enough US dollars to repay Sino Accord.

Factors affecting our results of operations

General factors affecting our results of operations

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

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

The overall economic growth and the increase in the Gross Domestic Product “GDP” per capita in China have led to a significant increase in spending on education in China. In addition, education is a welcomed and supported industry in China, which means that education service providers often get preferential treatment in terms of infrastructure support and tax rates. We anticipate that the demand for private education and career enhancement training in China will continue to increase as the economy in China continues to grow and as disposable income of urban households continues to rise. However, any adverse changes in the economic conditions or regulatory environment in China may have a material adverse effect on the education and career enhancement industries in China, which in turn may harm our business and results of operations. We are subject to a legal regime consisting of regulations governing various aspects of our business such as regulations on education, software, internet, audio-video broadcasting, tax, information security, privacy, copyright and trademark protection and foreign exchange. These regulations are evolving and are subject to frequent changes which may materially adversely affect our business in all aspects such as the operation of our K-12 schools, tutoring centers, career enhancement centers and campus through the VIE structure, the engagement of public school teachers and the organization of classes with large-size attendance in our tutoring centers, the establishment of new colleges and the offering of our online services.

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Specific factors affecting our results of operations

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

- The number of student enrollments. The number of student enrollments is largely driven by the demand for the educational programs offered by Better Schools and Better Jobs, the amount of fees we charge, the effectiveness of our marketing and brand promotion efforts, the locations and capacity of our tutoring centers, K-12 schools, career enhancement centers and campus, 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, and we intend to keep the current K-12 schools student enrollments, which are almost at its full capacity.

- The amount of fees we charge. We determine course fees for our tutoring and career enhancement services primarily based on demand for our courses, the targeted market for our courses, the geographic location and capacity of the center, costs of delivering our services, and the course fees charged by our competitors for the same or similar courses.

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

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

- Our costs and expenses. We incur costs and expenses at both the head quarter level and at our tutoring centers, K-12 schools, career enhancement centers and campus. Our most significant costs at our K-12 schools, tutoring centers, partner schools and career enhancement centers are compensation paid to our teachers and for rent expense. A substantial majority of our operating expenses are selling and marketing and general and administrative expenses.

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

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Effects of disposals and other strategic plans

On August 31, 2017, we sold the 100% equity interest in Ambow Online to a third party, with nil consideration, and the third party assumed all assets and liabilities of Ambow Online as of August 31, 2017. In connection with the disposal, the company offset the payables to Ambow Online with Ambow Online's net assets attributable to the company as of August 31, 2017. After offsetting, the payable balance due to Ambow Online by the company was RMB 171.1 million. Through further negotiation with the buyer, the payable balance due to Ambow Online by the company was reduced to RMB 137.5 million. The difference of RMB 33.6 million was recognized as disposal gain. Obligation in aggregate amount of RMB 137.5 million would be paid by December 31, 2018. The deal was not a strategic shift of the business and this transaction would not have major impact on Ambow's business, therefore this transaction was not qualified as discontinued operation.

On September 30, 2017, we sold its 100% interest in 21st Training Center to a third party, with consideration of RMB 1 yuan, and the third party assumed all assets and liabilities of 21st Training Center as of September 30, 2017. In connection with the disposal, 21st Training Center also waived the net payables with the company. We received RMB 1 yuan as consideration in the transaction. The disposal was not a strategic shift of the business and this transaction would not have major impact on Ambow's business, therefore this transaction did not qualify as discontinued operation. As of disposal date on September 30, 2017, the net liabilities of 21st Training Center was RMB 4.5 million. In September 2017, the company recognized a gain of RMB 4.5 million on the disposal accordingly.

There are no material disposals during the year 2016. As of December 31, 2015, we completed the disposal of Jinghan Group.

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 from continuing operations, cost of revenues and gross profit, both in absolute amount and as a percentage of net revenues, for the periods indicated.

(in thousands)	Fiscal Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US$	%
Net revenues	395,715	100.0	412,016	100.0	443,924	68,230	100.0
Cost of revenues	(245,945)	(62.2)	(238,742)	(57.9)	(256,395)	(39,407)	(57.8)
Gross Profit	149,770	37.8	173,274	42.1	187,529	28,823	42.2

Net revenues

In 2015, 2016 and 2017, we generated net revenues of RMB 395.7 million, RMB 412.0 million and RMB 443.9 million (US$68.2 million), respectively from continuing operations.

The increase from 2015 to 2016 was insignificant. The increase from 2016 to 2017 was mainly driven by higher student enrollment for the 2016 – 2017 academic year in our K-12 schools from the fall semester in 2016 and the new income from intellectualized operational services contributed by IValley Beijing.

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We derived net revenues from our three operating segments in terms of percentages of our overall net revenues from continuing operations as follows in 2015 and 2016, and four operating segments in 2017:

	Fiscal Year Ended December 31,		
	2015	2016	2017
	%	%	%
Better Schools:			
Tutoring	13.9	11.7	12.4
K-12 schools	47.2	54.0	52.4
Total Better Schools	61.1	65.7	64.8
Better Jobs:			
Career enhancement	38.9	34.3	32.7
Others:	—	—	2.5

Tutoring. We provided educational services in our 9 tutoring centers as of December 31, 2017. 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 segment 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 large class settings ranging from 15 students to 65 students per class. In addition, we also deliver these services in premium classes, including one-on-one tutoring.

K-12 schools. We operated three K-12 schools as of December 31, 2017. 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 2,000 to RMB 63,000 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.

Career enhancement. Our career enhancement services are provided in our 27 career enhancement centers, which include 8 career centers, 18 training offices and one career enhancement campus. We recognize revenues from course fees collected for enrollment in the courses we offer at our career enhancement centers over the period of the course, which typically ranges from several days to 12 months. Course fees collected in advance are recorded as deferred revenues until the services are provided. 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

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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.

Others. Our other services mainly include the business provided by IValley Beijing. We recognize revenues from its business to design, purchase, modify and integrate electronic equipment and devices, and develop mobile applications, performed by engineers and IT development and operational personnel, for end users to utilize office facilities, manage resources and administrative matters. For the intellectualized operational services, corporate clients, colleges and universities are our customers. We designed the intellectualized operational infrastructures and processes according to our clients' office or teaching space, human resource deployments and office/classroom administration requirements. We purchased computer, network, electronic and multimedia hardware and devices and application services along with these equipment. These hardware and devices either were installed by the vendors or by ourselves. We arranged the conductors, wires, optical fibers and bandwidths to integrate all devices. We also developed mobile applications for end users to punch time clocks, open and close lockers, turn on and off office gates, lights, air conditioners, set up remote visual conference meetings and use other office administrative services through the applications.

Cost of revenues

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

- Teaching fees and performance-linked bonuses paid to our teachers. Our teachers consist of both full-time teachers and part-time teachers. Full-time teachers deliver teaching instruction and may also be involved in management, administration and other functions at our schools, tutoring centers and career enhancement centers. Their compensation and benefits primarily consist of teaching fees based on hourly rates, performance-linked bonuses based on student evaluations, as well as base salary, annual bonus and standard employee benefits in connection with their services other than teaching. Compensation of our part-time teachers is comprised primarily of teaching fees based on hourly rates and performance-linked bonuses based on student evaluations and other factors;

- Rental payments for the operation of our school and center properties;

- Depreciation and amortization of properties and equipment used in the provision of educational and career enhancement services and accommodation facilities;

- Utilities used in our schools and center properties and accommodation facilities; and

- Amortization of student population intangible assets.

- Tutoring. Cost of revenues for our tutoring segment primarily consists of teaching fees and performance-linked bonuses paid to our teachers, rental payments for our centers, and depreciation and amortization of property and equipment used in the provision of educational services. Cost of revenues for products sold in our tutoring segment primarily consists of materials, packaging and shipping.

- K-12 schools. Cost of revenues for our K-12 schools segment primarily consists of teaching fees and performance-linked bonuses paid to our teachers and rental payments for our schools, depreciation and amortization of property and equipment used in the provision of educational services and accommodation facilities and, to a lesser extent, costs of course materials.

- Career enhancement. Cost of revenues for our career enhancement segment primarily consists of teaching fees and performance-linked bonuses paid to our teachers, rental payments for our centers, and depreciation and amortization of property and equipment used in the provision of educational services. Cost of revenues for products sold in our career enhancement segment primarily consists of materials, packaging and shipping.

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- Others. Cost of revenues for our others segment primarily consists of the cost of hardware, devices, materials and application services which we procure and integrate, subcontract cost to other service providers and labor cost of inhouse engineers and IT development and operational personnel.

Gross profit

For continuing operations, gross profit as a percentage of our net revenues was 37.8%, 42.1% and 42.2% in 2015, 2016 and 2017, respectively. The increase was mainly benefited from the effective expense control and improvement of operational efficiency that were implemented after the management had took control of the company from JPL since 2014. The change in gross profit margin from the 2016 to 2017 was not significant.

Operating expenses

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

(in thousands, except percentages)	Fiscal Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US$	%
Net revenues	395,715	100.0	412,016	100.0	443,924	68,230	100
Operating expenses:							
Selling and marketing	(55,511)	(14.0)	(41,818)	(10.1)	(36,710)	(5,642)	(8.3)
General and administrative	(280,634)	(70.9)	(145,513)	(35.3)	(142,252)	(21,864)	(32.0)
Research and development	(7,308)	(1.8)	(7,572)	(1.8)	(6,262)	(962)	(1.4)
Impairment loss	(162,351)	(41.0)	(22,402)	(5.4)	—	—	—
Total operating expenses	(505,804)	(127.7)	(217,305)	(52.6)	(185,224)	(28,468)	(41.7)

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 as a percentage of net revenues from year 2015 to 2017 were primarily due to lower spending on marketing expense.

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 as a percentage of net revenues decreased from 70.9% in 2015 to 35.3% in 2016 mainly due to lower service fees related to JPL, lower share-based compensation, and lower professional fees. There was no material fluctuation from 2016 to 2017.

Research and development expenses. Our research and development expenses primarily consist of compensation, benefits and other headcount-related costs associated with the development of our online education technology platform and courseware and outsourced development costs. There was no material fluctuation.

Impairment loss. Our impairment loss from continuing operations was related to the impairment of goodwill, intangible assets, fixed assets, long-term investment, other current assets and other non-current assets.

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

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(in thousands, except percentages)	Fiscal Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US$	%
Selling and marketing	(457)	0.9	—	—	—	—	—
General and administrative	(49,371)	98.5	(7,828)	100.0	(4,640)	(713)	100.0
Research and development	(289)	0.6	—	—	—	—	—
Total share-based expenses	(50,117)	100.0	(7,828)	100.0	(4,640)	(713)	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 IPO. From 2015 to 2017, we did not grant any share options to our employees and consultants for services rendered by them. We have adopted the provisions of ASC 718 “Stock Compensation” and ASC 505-50 “Equity Based Payments to Non-Employees” for the share options we granted. For options 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 options. For options granted to our consultants, we record share-based compensation expenses based on the fair value of the award of the earlier of the performance commitment date or the date service is completed.

Taxation

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

We also have five entities incorporated in Hong Kong which were subject to Hong Kong profit tax at a rate of 16.5% since the beginning of 2008.

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

The U.S. Tax Cuts and Jobs Act (the “Tax Act”) was enacted on December 22, 2017. The Tax Act makes significant changes to U.S. income tax law, including, but not limited to, reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent, and imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. As of December 31, 2017, the Company has completed its accounting for the effects of the Tax Act based on currently available information, and no material impact have been identified. The Company will monitor future guidance set forth by the Department of Treasury with regard to the Transition Tax provisions under the Act, and true up this estimate as appropriate within the one year measurement period. If revisions are needed as new information becomes available, the final determination of the deemed incremental income tax expense, deemed re-measurement of the deferred assets and liabilities or other applicable provisions of the Tax Act will be completed as additional information becomes available within the 12 month re-measurement period.

As previously described herein, we operate a number of subsidiaries and through our VIEs, schools, tutoring centers and career enhancement centers in China. The following is a summary of the types and rates of taxation to which our China entities are subject to.

VAT

The PRC government implemented a value-added tax reform pilot program, which replaced the business tax with value-added tax on selected sectors in Shanghai effective January 1, 2012, in Beijing effective September 1, 2012, in Tianjin effective December 1, 2012. In August 2013, the pilot program was expanded nationwide in certain industries. Since May 2016, the changes from business tax to VAT are

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expanded to all other service sectors which used to be subject to business tax. The value-added tax rates applicable to the subsidiaries and consolidated variable interest entities of the Group ranged from 3% to 6% as compared to the 3% to 5% business tax rate which was applicable prior to the reform.

As of December 31, 2016 and 2017, the payable balances for VAT were RMB 31.3 million and RMB 9.0 million, respectively.

Business tax

For those schools and college in China providing degree-oriented education services, they are exempted from paying business tax on revenue generated from both these services and any accommodation revenue associated with degree-oriented education. As well as for any revenue generated by schools and college for non-degree-oriented education services, business tax of between 3% and 5% of gross revenues is payable, as disclosed in Note 13 to unaudited condensed consolidated financial statements. From May 2016, as the final part of the VAT reform, VAT replaced business tax in all industries, on a nationwide basis. The VAT rates applicable to the subsidiaries and consolidated variable interest entities of the Group ranged from 3% to 6% as compared to the 3%~5% business tax rate which was applicable prior to the reform.

As of December 31, 2016 and 2017, the payable balances for business tax were RMB 24.1 million and RMB 18.4 million, respectively.

Income tax

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

Corporate entities

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

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

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

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Private schools

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

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

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

The determination of our provision for income taxes, particularly for private schools, is subject to uncertainty. The strict application of the EIT Law indicates that certain of our private schools are subject to income tax of 25% after January 1, 2008. For those private schools where the tax authorities have not determined a deemed fixed amount or deemed fixed rate for the purposes of calculating income tax payable, we have assumed that income tax of 25% is payable. However, as of December 31, 2017, no detailed implementation guidance has been provided to local tax authorities on how to apply the EIT Law to private schools. It is possible that, upon the introduction of the detailed implementation guidance, we may find ourselves in a position whereby income tax is not payable for periods prior to the release of the detailed guidance.

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

Critical accounting policies and estimates

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

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consolidated financial statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Basis of consolidation

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

The entities apart from the consolidated VIEs mainly include Ambow Education Holding Limited ("Ambow"), Ambow (Dalian) Education and Technology Co., Ltd., Ambow Shengying, Ambow Chuangying, Ambow Yuhua, Ambow University Inc., Ambow BSC Inc., Bay State College, three holding companies registered in Cayman and five companies registered in Hong Kong. Assets and liabilities of these entities mainly include cash, current accounts balances of inter-group financing and transactions and leasehold improvement. Except for Bay State College, operations of these entities are mainly financing and business management.

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

The company regained control of previously deconsolidated entities in the second half of 2015, and they were reconsolidated in the consolidated financial statements.

The separated VIE and Non-VIE financial information during the year of 2015 was as follows (in RMB thousands):

	VIEs Consolidated	Non-VIEs Consolidated	Inter-company Elimination	Group Consolidated
Net Revenue	411,315	9,896	(25,496)	395,715
Net Income/(Loss)	370,818	(306,462)	—	64,356

The separated VIE and Non-VIE financial information during the year of 2016 was as follows (in RMB thousands):

	VIEs Consolidated	Non-VIEs Consolidated	Inter-company Elimination	Group Consolidated
Cash and cash equivalent	173,772	23,128	—	196,900
Inter-Group balances due from VIEs/Non VIEs	1,844,177	3,254,337	(5,098,514)	—
Investment to VIEs	—	81,960	(81,960)	—
Other current assets	319,302	100,325	—	419,627
Non-current assets	257,190	79,306	—	336,496
Total Assets	2,594,441	3,539,056	(5,180,474)	953,023
Inter-Group balances due to VIEs/Non VIEs	3,002,644	2,022,867	(5,025,511)	—
Other current liabilities	521,375	316,627	—	838,002
Total Liabilities	3,524,019	2,339,494	(5,025,511)	838,002
Equity	(929,578)	1,199,562	(154,963)	115,021
Net Revenue	470,194	2,625	(60,803)	412,016
Net Loss	(12,805)	(24,213)	—	(37,018)

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The separated VIE and Non-VIE financial information during the year of 2017 was as follows (in RMB thousands):

	VIEs Consolidated	Non-VIEs Consolidated	Inter-company Elimination	Group Consolidated
Cash and cash equivalent	171,296	24,007	—	195,303
Inter-Group balances due from VIEs/Non VIEs	1,840,131	2,441,695	(4,281,826)	—
Investment to VIEs	—	81,960	(81,960)	—
Other current assets	270,687	106,733	—	377,420
Non-current assets	264,113	140,584	—	404,697
Total Assets	2,546,227	2,794,979	(4,363,786)	977,420
Inter-Group balances due to VIEs/Non VIEs	2,901,844	1,405,640	(4,307,484)	—
Other current liabilities	553,936	208,616	—	762,552
Non-current liabilities	—	48,909	—	48,909
Total Liabilities	3,455,780	1,663,165	(4,307,484)	811,461
Equity	(909,553)	1,131,814	(56,302)	165,959
Net Revenue	484,757	17,806	(58,639)	443,924
Net Income	41,636	4,289	—	45,925

Revenue recognition

Our revenue is primarily generated from delivering educational programs and services. Our customers include mainly students attending classes at our own schools or training centers; students attending classes run by our cooperative partners; corporate clients attending our outbound and management training classes.

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured. Revenues presented in the consolidated financial statements represent revenues from educational program and services. If any of the aforementioned criteria are not met, we defer recognizing the revenue until such time as all criteria are met.

Educational programs and services

Educational programs and services primarily consist of primary and secondary curriculum education, tutoring programs that supplement primary and secondary curriculum education and career enhancement and other corporate training programs that are provided directly or indirectly to customers, where we are responsible for delivery of the programs and services. For the curriculum education programs, the tuition revenue, including accommodation, is recognized on a straight-line basis over the length of the course, which is typically over a period of a semester. For tutoring programs, tuition revenue is recognized on a straight-line basis over the period during which tutoring services are provided to students. Educational materials revenue, which is immaterial and has not been disclosed separately, relates to the sales of books, course materials, course notes for which we recognize revenue when the materials have been delivered to students.

Education programs and services also include programs offered online which could be accessed through a username and password. Revenue of this service offering is recognized when programs are delivered online, and collected within one to three months.

Intellectualized operational services

We enter into sales contractual arrangements related to intellectualized operational services. For each contract, revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and collectability of the related fee is reasonably assured. If any of the aforementioned criteria are not met, we defer the recognition of revenue until all criteria are met.

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Arrangements for intellectualized operational services are on a fixed-price basis. Revenues from fixed-price contracts are recognized using the percentage-of-completion method as determined by the proportional relation of the contract costs incurred to date relative to the estimated total contract costs at completion. Estimated contract costs are reviewed monthly and revised as necessary. We review the estimated revenues and estimated costs on each project at the end of each reporting period. Any revisions to existing estimates are made when required by members of management having the relevant authority. As part of the review process, management regularly compares and analyzes the actual costs incurred and the estimate of costs to complete the projects to the total estimated costs and the total contract price. Management make revisions to existing estimates as needed based on the analysis performed and with proper level of approval in the period in which changes become known. As a policy, provisions for estimated losses on such engagements will be made during the period in which a loss becomes probable and can be reasonably estimated.
Intangible assets, net
Intangible assets represent brand, software, trade name, student population, corporative agreement, customer relationship, favorable lease, non-compete agreement. 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 company 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:

Software	2 years to 10 years
Student populations	1.8 years to 15 years
Customer relationships	5.7 years
Cooperative agreements	1.3 years to 10 years
Favorable leases	0.8 years to 20 years
Non-compete agreement	3 years to 4.5 years
Trade names	Indefinite
Brand	Indefinite

We have determined that trade names 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. Consequently, the carrying amounts of trade names 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 with their carrying amounts and an impairment loss is recognized if and when the carrying amounts of the trade names exceed their fair values.
Starting from 2012, we have performed impairment testing of indefinite-lived intangible assets in accordance with ASC 350, which requires an entity to evaluate events and circumstances that may affect the significant inputs used to determine the fair value of the indefinite-lived intangible assets when performing qualitative assessment. When these events occur, the Group estimates the fair value of these trade names 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.

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Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination or an acquisition by a not-for-profit entity that are not individually identified and separately recognized. Goodwill acquired in a business combination is tested for impairment at least annually or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. 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, our reporting units, the fair value of a reporting unit and the fair value of assets and liabilities within a reporting unit, requires judgment and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

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

Future changes in the judgments and estimates underlying the company’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.

Impairment of long-lived assets

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

Income taxes

Income tax expense has been allocated between continued and discontinued operations in all periods. 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. The Group recognizes interest and penalties as income tax.

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

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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 interest and penalties associated with tax positions, 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, as well as the related net interest and penalties where applicable. See Note 19 (c) of consolidated financial statements for additional information. In 2014, we received a document from the tax bureau cancelling Ambow Online's preferential tax treatment. We had taken legal action to defend itself, also accrued the income tax and overdue fee for the year of 2014. In 2015 we lost the case and accrued the overdue fee by the end of 2015. In 2016 and eight months ended August 31, 2017, we accrued the overdue fee respectively. On August 31, 2017, we sold the 100% equity interest in Ambow Online to a third party. Therefore the accrued income tax payable and overdue fee would not be consolidated with us as of December 31, 2017. See Note 27 of consolidated financial statements for details. Also see Note 19 of consolidated financial statements for details of the Group's tax position as of December 31, 2016.

U.S. Tax Cuts and Jobs Act

The U.S. Tax Cuts and Jobs Act was enacted on December 22, 2017. The Tax Act makes significant changes to U.S. income tax law, including, but not limited to, reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent, and imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. As of December 31, 2017, the Company has completed its accounting for the effects of the Tax Act based on currently available information, and no material impact have been identified. The Company will monitor future guidance set forth by the Department of Treasury with regard to the Transition Tax provisions under the Act, and true up this estimate as appropriate within the one year measurement period. If revisions are needed as new information becomes available, the final determination of the deemed incremental income tax expense, deemed re-measurement of the deferred assets and liabilities or other applicable provisions of the Tax Act will be completed as additional information becomes available within the 12 month re-measurement period.

Share-based compensation

We grant share options to our employees, directors and non-employees. 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.

Cost of services received from non-employees is measured at fair value at the earlier of the performance commitment date or the date service is completed and recognized over the period the service is provided. To the extent we recognize any cost of service prior to the time the non-employees complete their performance, any interim measurements that we make during the performance period are made at the then current fair values of equity instruments at each of those interim financial reporting dates.

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

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Foreign currency translation and transactions

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

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

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

Discontinued Operations

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).

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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 prospectus. 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

(in thousands, except share, per share and per ADS information)	Fiscal Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$
Consolidated Statement of Operations Data:				
Net Revenue				
– Educational programs and services	395,715	412,016	432,754	66,513
– Intellectualized operational services	—	—	11,170	1,717
Total net revenue	395,715	412,016	443,924	68,230
Cost of revenue				
– Educational programs and services	(245,945)	(238,742)	(249,400)	(38,332)
– Intellectualized operational services	—	—	(6,995)	(1,075)
Total cost of revenue(1)	(245,945)	(238,742)	(256,395)	(39,407)
Gross profit	149,770	173,274	187,529	28,823
Selling and marketing(1)	(55,511)	(41,818)	(36,710)	(5,642)
General and administrative(1)	(280,634)	(145,513)	(142,252)	(21,864)
Research and development(1)	(7,308)	(7,572)	(6,262)	(962)
Impairment loss	(162,351)	(22,402)	—	—
Operating loss/(income)	(356,034)	(44,031)	2,305	355
Other (expenses)/income	(39,371)	12,924	53,234	8,183
(Loss)/income before income tax, non-controlling interest and discontinued operations	(395,405)	(31,107)	&#820	