Ambow Education Holding Ltd.
Form F-1/A
January 05, 2018

As filed with the Securities and Exchange Commission on January 5, 2018.

Registration No. 333-220207

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-1/A

(Amendment No. 3)

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AMBOW EDUCATION HOLDING LTD.

(Exact name of Registrant as specified in its charter)

Cayman Islands	**8200**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

12th Floor, Tower 1, Financial Street,
Chang'an Center, Shijingshan District, Beijing
100043
People's Republic of China
Telephone: +86 (10) 6206-8000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

C T Corporation System
111 Eighth Avenue
New York, New York 10011
(212) 894-8940

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company ¨

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price [1] [2]**	**Amount of Registration Fee [1]**	
Class A Ordinary shares, par value $0.003 per share [2] [3]	$ 5,750,000	$ 716	[4]

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes (a) Class A ordinary shares represented by American Depository Shares (ADSs) that may be purchased by the underwriters pursuant to their option to purchase additional ADSs to cover over-allotments, if any, and (b) Class A ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the ordinary shares are first bona fide offered to the public. These Class A ordinary shares are not being registered for the purpose of sales outside the United States.

(3) ADSs issuable upon deposit of the Class A ordinary shares registered hereby have been registered under a separate registration statement on Form F-6 (Registration No. 333-168238). Each American Depositary Share represents Class A ordinary shares.

(4) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall hereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this preliminary prospectus is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold until the registration statement becomes effective. This prospectus is not an offer to sell and is not a solicitation of an offer to buy in any state in which an offer, solicitation, or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED JANUARY 5, 2018

American Depositary Shares

Representing Class A Ordinary Shares

Ambow Education Holding Ltd., or Ambow, is offering American Depositary Shares (“ADSs”). Each ADS represents the right to receive Class A ordinary shares, par value US$0.003 per share. We anticipate that the public offering price will be between $____ and $____ 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 intend to apply for the listing of the ADSs on the NYSE American under the symbol “AMBO.” There is no assurance that this application will be approved.

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 _____% voting control over all of the ordinary shares.

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 138.

Investing in the ADSs involves a high degree of risk. You should read carefully the “Risk Factors” beginning on page 10 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	$	$
Underwriting discount and commissions (1)	$	$
Proceeds, before expenses, to us	$	$

(1) In addition to the underwriting discount, we have agreed to pay certain of the expenses of Benchmark incurred in connection with this offering, including a non-accountable expense allowance equal to 1% of the gross proceeds of this offering payable to the underwriters. See “Underwriting.”

The underwriters have an option exercisable within days from the date of this prospectus to purchase up to 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 .

Benchmark

Prospectus dated , 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.

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. a 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 September 30, 2017, which was RMB6.6533 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 December 29, 2017, the exchange rate was RMB6.5063 to US$1.00.

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 10 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 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.

· *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 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.

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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;
- 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;

- 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.

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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. 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.

Recent Developments

On November 14, 2017, Ambow BSC Inc., a Delaware corporation and a wholly-owned subsidiary of the company, signed the stock purchase agreement with the owner of Bay State College, Inc. to acquire all stock of Bay State College, Inc. Bay State College, Inc. is a Massachusetts corporation that owns and operates Bay State College. Bay State College offers career-focused post-secondary education with Associates and Bachelor’s programs in Business, Information Technology, Healthcare, Criminal Justice and Fashion. Bay State College was founded in 1946, is accredited by the New England Association of Schools and Colleges, Commission on Institutions of Higher Education and eligible to participate in federal student aid programs under Title IV of the U.S. Higher Education Act. Bay State College’s academic programs are delivered at its main campus in Boston, Massachusetts, a branch campus in Taunton, Massachusetts and online. The purchase price of the acquisition was comprised of estimated closing component of RMB 16.5 million (US$ 2.5 million) and post-closing component which subject to the performance of Bay State College in the future years. We are in process of obtaining post-closing approvals from regulatory agencies and changing the corporate governance of Bay State College, Inc. The Company would account for the acquisition of Bay State College Inc. as a business combination and use the acquisition method of accounting. The result of operations of Bay State College Inc. from the acquisition date would be included in the Group's consolidated financial statements once the acquisition date is determined.

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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.

The Offering

ADSs offered by us	ADSs
Price per ADS	We currently estimate that the public offering price will be between $ and $ per ADS.
Over-allotment	We have granted a -day option (commencing from the date of this prospectus) to the underwriters to purchase an additional ADSs to cover over-allotments, if any.
ADSs to be outstanding after the offering (1)	ADSs (or ADSs if the underwriters exercise their over-allotment option in full).
Class A Ordinary shares to be outstanding after the offering	Class A ordinary shares (or Class A ordinary shares if the underwriters exercise their over-allotment option in full).
Class C Ordinary shares to be outstanding after the offering	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 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 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. 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, as provided in the Deposit Agreement. 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 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 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 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 10 for a discussion of factors and uncertainties that you should consider in evaluating an investment in our securities.
Proposed NYSE American symbol	We intend to apply for the listing of the ADSs on the NYSE American under the symbol “AMBO.”
Expected timing of this offering	, 2018

(1) The number of ADSs that will be outstanding after this prospectus is based on ADSs outstanding as of , 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 255,821 outstanding options with a weighted average exercise price of $0.4749 per share.

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, 2014, 2015 and 2016 and as of December 31, 2015 and 2016 is derived from our audited consolidated financial statements included elsewhere in this prospectus, which were prepared in accordance with U.S. GAAP. The following summary consolidated financial data presented below as of December 31 2014, have been derived from our audited consolidated financial statements for the year ended December 31, 2014, which are not included in 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.

The summary consolidated financial data, except for the as adjusted consolidated balance sheet data, presented below for the nine months ended September 30, 2016 and 2017 and as of September 30, 2017 is derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim consolidated financial statements on the same basis as our audited consolidated financial statements. The unaudited interim consolidated financial statements include all adjustments, consisting only of normal and recurring adjustments, which we consider necessary for a fair presentation of our financial position and operating results for the periods presented. 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,				Nine Months Ended Septemb		
	2014	2015	2016		2016	2017	
Consolidated Statement of Operations Data:	RMB	RMB	RMB	US$	RMB	RMB	U
Revenue	411,998	395,715	412,016	59,343	280,921	299,725	4
Cost of revenue	(274,036)	(245,945)	(238,742)	(34,386)	(162,961)	(175,720)	(
Gross profit	137,962	149,770	173,274	24,957	117,960	124,005	
Selling and marketing (1)	(80,377)	(55,511)	(41,818)	(6,023)	(30,642)	(28,205)	(
General and administrative (1)	(508,544)	(280,634)	(145,513)	(20,958)	(97,880)	(71,409)	(
Research and development (1)	(12,259)	(7,308)	(7,572)	(1,091)	(5,732)	(4,653)	(
Impairment loss	(292,577)	(162,351)	(22,402)	(3,227)	(934)	-	-
Operating (loss) income	(755,795)	(356,034)	(44,031)	(6,342)	(17,228)	19,738	2
Other (expenses) income	(267,861)	(39,371)	12,924	1,862	6,177	13,994	2
(Loss)/income before income taxes	(1,023,656)	(395,405)	(31,107)	(4,480)	(11,051)	33,732	3
Income tax (expense)/benefit	(1,135)	118,963	(5,911)	(851)	(7,215)	(8,999)	(
Loss from continuing operation	(1,024,791)	(276,442)	(37,018)	(5,331)	(18,266)	24,733	3

(loss) /income from and on sale of discontinued operations, net of income tax	(57,764)	340,798	-	-	-	-
Net (loss)/income	(1,082,555)	64,356	(37,018)	(5,331)	(18,266)	24,733
Net income (loss) attributable to non-controlling interests	(5,742)	617	(1,318)	(190)	102	(200)
Net (loss)/income attributable to ordinary shareholders interests (1)	(1,076,813)	63,739	(35,700)	(5,141)	(18,368)	24,933
Net (loss)/income from continuing operations per ordinary share (2)						
Basic	(73.13)	(7.52)	(0.93)	(0.13)	(0.48)	0.64
Diluted	(73.13)	(7.52)	(0.93)	(0.13)	(0.48)	0.63
Net (loss)/income from discontinued operations per ordinary share (2)						
Basic	(4.18)	9.25	-	-	-	-
Diluted	(4.18)	9.25	-	-	-	-
Net (loss)/income from continuing operations per ADS (2)						
Basic	(146.26)	(15.04)	(1.86)	(0.26)	(0.96)	1.28
Diluted	(146.26)	(15.04)	(1.86)	(0.26)	(0.96)	1.26
Net (loss)/income from discontinued operations per ADS (2)						
Basic	(8.36)	18.50	-	-	-	-
Diluted	(8.36)	18.50	-	-	-	-
Weighted average shares used in calculating net income/(loss) per share (2)						
Basic	13,928,048	36,848,816	38,469,234	38,469,234	38,411,480	38,803,676
Diluted	13,928,048	36,848,816	38,469,234	38,469,234	38,411,480	39,310,607

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(1) Share-based compensation expense included in:

	Fiscal Year Ended December 31,				Nine months Ended September 30,		
	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
Selling and marketing	(351)	(457)	-	-	-	-	-
General and administrative	(156,870)	(49,371)	(7,828)	(1,127)	(5,814)	(4,001)	(601)
Research and development	(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 adjusted for the impact of any accretion/allocation of income relating to preferred shareholders 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 warrants, preferred shares and options 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.

(in thousands)	As of December 31,				As of September 30,		
Consolidated Statement of Balance Sheet Data:	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
Cash and cash equivalents	180,285	246,303	196,900	28,359	182,905	215,637	32,411
Total current assets	993,736	682,624	616,527	88,797	730,874	653,833	98,271
Total assets	1,505,688	1,007,925	976,195	140,601	1,042,199	1,007,895	151,488
Total current liabilities	1,491,336	839,381	838,002	120,697	886,627	842,761	126,668
Total liabilities	1,558,994	865,102	861,174	124,034	910,425	864,742	129,972
Total equity/(deficit)	(53,306)	142,823	115,021	16,567	131,774	143,153	21,516

(in thousands)	Fiscal Year Ended December 31,				Nine months Ended September 30,		
Consolidated Statement of Cash Flow Data:	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
Net cash (used in)/provided by operating activities	(160,367)	(40,119)	17,535	2,524	41,242	27,634	4,154
Net cash (used in)/provided by investing activities	110,221	58,214	(65,218)	(9,393)	(102,840)	(48,718)	(7,323)
	87,003	12,830	(1,504)	(216)	(1,500)	39,821	5,985

Net cash provided by/ (used in) financing activities							
Changes in cash, cash equivalents and restricted cash included in assets held for sale	43,870	38,063	-	-	-	-	-

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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 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;
- 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 decreased from RMB 412.0 million in 2014 to RMB 395.7 million in 2015, and increased to RMB 412.0 million (US$ 59.3 million) in 2016. Our net revenues from continuing operations increased from RMB 280.9 million in the nine months ended September 30, 2016 to RMB 299.7 million in the nine months ended September 30, 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.

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 for the nine months ended September 30, 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 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 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.

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. We do not currently maintain any backup servers outside of China. 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 current portion of the prepaid long-term lease, capital lease and prepaid long-term lease in 2016 and in the first nine months of 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 market capitalization and slower or declining growth rates in our industry. 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.

During 2016, we recognized an impairment loss of RMB 22.4 million mainly due to decline of business in tutoring segment. 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, 2016, we recorded share-based compensation expenses of RMB 7.8 million for the restricted stock and the unrecognized share-based compensation expenses amounted to RMB 8.6 million as of December 31, 2016. 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 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 2016 was 6.7%, compared to a growth rate of 6.9% in 2015 and 7.4% in 2014. 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 all 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, 2016 and concluded that our internal control over financial reporting was effective as of December 31, 2016.

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 September 30, 2017, we had a total of 37 centers and schools, comprised of 9 tutoring centers, 3 K-12 schools, 6 career enhancement centers, 18 training offices and 1 career enhancement campus. We conduct our education business in China primarily through contractual arrangements among our subsidiaries in China and VIEs. The majority of our VIEs and their respective subsidiaries, as PRC domestic entities, hold the requisite licenses and permits necessary to conduct our education business in China and operate our tutoring centers, K-12 schools 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" 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

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

We 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 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 September 30, 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 74.2% of our consolidated total net revenue for the year ended December 31, 2016 and for the nine months ended September 30, 2017, respectively. The total net revenue of the schools not requiring reasonable returns accounted for 1.9% and 2.1% of our consolidated total net revenue for the year ended December 31, 2016 and for the nine months ended September 30, 2017. Both schools requiring reasonable returns and not requiring reasonable returns reported a net loss position for the year ended December 31, 2016 and for the nine months ended September 30, 2017.

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 40.8%, 47.2%, 50.4% and 50.1% for the year ended December 31, 2014, 2015, 2016 and for the first nine months ended September 30, 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 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 all of our operations are conducted in China, and substantially all of our net revenues are derived from China. Accordingly, our business, financial condition, results of operations, prospects and certain transactions we may undertake are subject, to a significant extent, to economic, political and legal developments in China.

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

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

The PRC government has implemented various measures to encourage foreign investment and sustainable economic growth and to guide the allocation of financial and other resources, which have for the most part had a positive effect on our business and growth. However, we cannot assure you that the PRC government will not repeal or alter these measures or introduce new measures that will have a negative effect on us. 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 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 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 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 all of our revenue is denominated in RMB, restrictions on currency exchange may limit our ability to use revenue generated in RMB to fund any business activities we may have outside China or to make dividend payments to our shareholders and ADS holders in U.S. dollars. The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended. Under these rules, RMB is freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loan or investment in securities outside China unless the prior approval of SAFE is obtained. Although the PRC government regulations now allow greater convertibility of RMB for current account transactions, significant restrictions still remain. For example, foreign exchange transactions under our subsidiaries capital accounts, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls. These limitations could affect our ability to obtain foreign exchange for capital expenditures. We cannot be certain that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of RMB, especially with respect to foreign exchange transactions.

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

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

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

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

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

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

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

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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 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.

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 will be 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 intend to apply to list the ADSs on the NYSE American. 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 $ per ADS (assuming no exercise by the underwriters of options to acquire additional ADSs), representing the difference between (1) the public offering price of $ per ADS (the mid-point of the estimated offering price range set forth in the front cover of this prospectus) and (2) the pro forma net tangible book value per ADS of $ at September 30, 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;
- 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 ordinary shares outstanding, including Class A ordinary shares represented by the 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. 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, 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 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.

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

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

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

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

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

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

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

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.

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

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

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

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.

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 $ million, based on an assumed initial offering price of $ per ADS which represents the mid-point of the estimated range of the public offering price shown on the front cover of this prospectus.

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 our working capital. 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 Foreign 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 or subsidiaries or make additional capital contributions to our PRC subsidiaries to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all.

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. We intend to apply for the listing of the ADSs issued in this offering and the ADSs outstanding as of 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

We have 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 November 30, 2017, 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 November 30, 2017. 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 14.8% 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.

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.”

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2017, on:

· an actual basis; and

· an as adjusted basis to reflect:

· the sale of ADSs in this offering at the assumed public offering price of $ per ADS, the midpoint of the price range set forth on the cover page of this prospectus; 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."

	September 30, 2017			
	Actual		Pro forma	
	RMB	US$	RMB	US$
	(in thousands, except for share and per share data) (unaudited)			
Shareholders' Equity:				
Class A Ordinary shares (US$ 0.003 par value; 66,666,667 shares authorized;34,176,461 shares issued and outstanding as of September 30, 2017)	640	96		
Class C Ordinary shares (US$ 0.003 par value; 8,333,333 shares authorized; 4,708,415 shares issued and outstanding as of September 30, 2017)	90	14		
Additional paid-in capital	3,457,224	519,625		
Statutory reserve	19,841	2,982		
Accumulated deficit	(3,338,050)	(501,713)		
Accumulated other comprehensive income	5,502	827		
Total shareholders' equity	145,247	21,831		

A $1.00 increase (decrease) in the assumed public offering price of $ per ADS, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) cash and cash equivalents, issued capital and total equity by $ million, assuming that the number of ADS offered, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses.

A one million ADS increase (decrease) in the number of ADSs sold in this offering would increase (decrease) cash and cash equivalents issued capital and total equity by approximately $ million, assuming a public offering price of $ per ADS, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses.

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 Class A ordinary share attributable to the existing shareholders for our presently outstanding Class A ordinary shares.

Our net tangible book value as of September 30, 2017 was $ per Class A ordinary share and $ per ADS. Dilution is determined by subtracting net tangible book value per Class A ordinary share from the assumed public offering price per Class A ordinary share. After deducting underwriting discounts and commissions and estimated expenses of the offering payable by us, the net tangible book value per Class A ordinary share would decrease to $ per Class A ordinary share (or $ per ADS), or $ per ordinary share (or $ per ADS) if the underwriters' over-allotment option is exercised in full. This represents an immediate decrease in net tangible book value of $ per Class A ordinary share (or $ per ADS) to our existing shareholders or $ per ordinary share (or $ per ADS) if the underwriters' over-allotment option is exercised in full, and an immediate dilution of $ per ordinary share (or $ per ADS) to purchasers of ADSs in the offering or $ per Class A ordinary share (or $ per ADS), if the underwriters' over-allotment option is exercised in full.

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

	Per Ordinary Share	Per ADS
Assumed public offering price	$	$
Net tangible book value per ordinary share as of September 30, 2017	$	$
Decrease in net tangible book value attributable to the sale of the ADSs	$	$
Pro forma net tangible book value after this offering	$	$
Dilution to purchasers of ADSs in the offering	$	$

A $1.00 increase (decrease) in the assumed public offering price of $ per ADS would increase (decrease) our pro forma net tangible book value after giving effect to the offering by $ per Class A ordinary share and $ per ADS, respectively, and the dilution in pro forma net tangible book value per Class A ordinary share and per ADS to new investors in this offering by $ per ordinary share and $ per ADS, respectively, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions.

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 % 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 Class A ordinary shares or % of the total number of ordinary shares outstanding after this offering.

A 10% increase in the number of Class A ordinary shares sold would decrease the number of Class A ordinary shares held by existing shareholders as a percentage of the total number of Class A ordinary shares outstanding after this offering by %; the number of Class A ordinary shares held by new investors would increase by Class A ordinary shares or % of the total number of Class A ordinary shares outstanding after this offering.

EXCHANGE RATE INFORMATION

Our business is primarily conducted in China and substantially all 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 December 29, 2017, the daily exchange rate reported by the Federal Reserve Board was RMB6.5063 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	6.7350	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	6.6129	6.5063	6.6533
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

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

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 all of our current operations are conducted in China, and substantially all 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.

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.

While there is no binding judicial authority on the point, it is likely that this would include a non-penal judgment of a U.S. court imposing a monetary award based on the civil liability provisions of the U.S. federal securities law (provided the above conditions were also satisfied).

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 52 in this prospectus.

The selected consolidated financial data presented below for the years ended December 31, 2014, 2015 and 2016 and as of December 31, 2015 and 2016 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, 2012 and 2013 and as of December 31, 2012, 2013 and 2014, have been derived from our audited consolidated financial statements for the years ended December 31, 2012, 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. The summary consolidated financial data, except for the as adjusted consolidated balance sheet data, presented below for the nine months ended September 30, 2016 and 2017 and as of September 30, 2017 is derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial statements on the same basis as our audited consolidated financial statements. The unaudited interim condensed consolidated financial statements include all adjustments, consisting only of normal and recurring adjustments, which we consider necessary for a fair presentation of our financial position and operating results for the periods presented. 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 year ended December 31, 2015, 2016 and for the nine months ended September 30, 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 137.5 million and included in assets transferred to the third party. 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. We did not recognize any gain or loss from the disposal as the transferred assets equaled the transferred liabilities to the third party.

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. Please refer to Note 16 of the unaudited condensed consolidated financial statements for details.

(in thousands, except share, per share and per ADS information)	Fiscal Year Ended December 31,						Nin
Consolidated Statement of Operations Data:	2012 RMB	2013 RMBs	2014 RMB	2015 RMB	2016 RMB	US$	201 RM
Revenue	742,060	536,511	411,998	395,715	412,016	59,343	28
Cost of revenue	(477,199)	(361,573)	(274,036)	(245,945)	(238,742)	(34,386)	(16
Gross profit	264,861	174,938	137,962	149,770	173,274	24,957	11
Selling and marketing (1)	(321,418)	(151,480)	(80,377)	(55,511)	(41,818)	(6,023)	(30
General and administrative (1)	(632,603)	(471,915)	(508,544)	(280,634)	(145,513)	(20,958)	(97
Research and development (1)	(31,842)	(19,545)	(12,259)	(7,308)	(7,572)	(1,091)	(5,
Impairment loss from continuing operations	(761,996)	(84,246)	(292,577)	(162,351)	(22,402)	(3,227)	(93
Operating (loss) income	(1,482,998)	(552,248)	(755,795)	(356,034)	(44,031)	(6,342)	(17
Other (expense) income	(6,739)	(21,932)	(267,861)	(39,371)	12,924	1,862	6,1
(Loss)/income before income taxes	(1,489,737)	(574,180)	(1,023,656)	(395,405)	(31,107)	(4,480)	(11
Income tax (expense)/benefit	(10,893)	10,424	(1,135)	118,963	(5,911)	(851)	(7,
(Loss)/income from continuing operation	(1,500,630)	(563,756)	(1,024,791)	(276,442)	(37,018)	(5,331)	(18
(Loss) /income from and on sale of discontinued operations, net of income tax	(172,885)	(346,449)	(57,764)	340,798	-	-	-
Net (loss) /income	(1,673,515)	(910,205)	(1,082,555)	64,356	(37,018)	(5,331)	(18
Net income (loss) attributable to non-controlling interests	(52,349)	(3,387)	(5,742)	617	(1,318)	(190)	10
Net (loss)/income attributable to ordinary shareholders interests (1)	(1,621,166)	(906,818)	(1,076,813)	63,739	(35,700)	(5,141)	(18
Net (loss)/income from continuing operations per ordinary share (2)							
Basic	(297.30)	(102.32)	(73.13)	(7.52)	(0.93)	(0.13)	(0.
Diluted	(297.30)	(102.32)	(73.13)	(7.52)	(0.93)	(0.13)	(0.
Net (loss)/income from discontinued operations per ordinary share (2)							
Basic	(36.60)	(63.62)	(4.18)	9.25	-	-	-
Diluted	(36.60)	(63.62)	(4.18)	9.25	-	-	-
Net (loss)/income from continuing operations per ADS (2)							
Basic	(594.60)	(204.64)	(146.26)	(15.04)	(1.86)	(0.26)	(0.
Diluted	(594.60)	(204.64)	(146.26)	(15.04)	(1.86)	(0.26)	(0.
Net (loss)/income from discontinued operations per ADS (2)							
Basic	(73.20)	(127.24)	(8.36)	18.50	-	-	-
Diluted	(73.20)	(127.24)	(8.36)	18.50	-	-	-

Weighted average shares used in calculating net income/(loss) per share (2)							
Basic	4,855,331	5,464,740	13,928,048	36,848,816	38,469,234	38,469,234	38
Diluted	4,855,331	5,464,740	13,928,048	36,848,816	38,469,234	38,469,234	38

(1) Share-based compensation expense included in:

(in thousands)	Fiscal Year Ended December 31,						Nine months Ended September 30,		
	2012	2013	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
Selling and marketing	(6,286)	(2,658)	(351)	(457)	-	-	-	-	-
General and administrative	(88,019)	(73,108)	(156,870)	(49,371)	(7,828)	(1,127)	(5,814)	(4,001)	(601)
Research and development	(872)	(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 adjusted for the impact of any accretion/allocation of income relating to preferred shareholders 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 warrants, preferred shares and options 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.

(in thousand)	As of December 31,						As of September 30,	
Consolidated Balance Sheet	2012	2013	2014	2015	2016		2016	2017
Data:	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB
Cash and cash equivalents	118,081	98,962	180,285	246,303	196,900	28,359	182,905	215,637
Total current assets	2,022,342	1,083,449	993,736	682,624	616,527	88,797	730,874	653,833
Total assets	3,180,358	1,953,409	1,505,688	1,007,925	976,195	140,601	1,042,199	1,007,895
Total current liabilities	1,682,064	1,476,087	1,491,336	839,381	838,002	120,697	886,627	842,761
Total liabilities	1,796,403	1,555,686	1,558,994	865,102	861,174	124,034	910,425	864,742
Total equity/(deficit)	1,383,955	397,723	(53,306)	142,823	115,021	16,567	131,774	143,153

(in thousand)	Fiscal Year Ended December 31,						Nine months Ended September 30,	
Consolidated Statement of Cash Flow	2012	2013	2014	2015	2016		2016	2017
Data:	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB
Net cash (used in)/provided by operating activities	(32,004)	(160,544)	(160,367)	(40,119)	17,535	2,524	41,242	27,634
Net cash (used in)/provided by investing activities	(452,865)	64,512	110,221	58,214	(65,218)	(9,393)	(102,840)	(48,718
Net cash provided by/ (used in) financing activities	76,838	82,885	87,003	12,830	(1,504)	(216)	(1,500)	39,821
Changes in cash, cash equivalents and restricted cash included in assets held for sale	424,307	(5,863)	43,870	38,063	-	-	-	-

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 280.9 million in the first nine months of 2016 to RMB 299.7 million in the first nine months of 2017. The increase 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 net revenues decreased from RMB 412.0 million in 2014 to RMB 395.7 million in 2015 and increased to RMB 412.0 million (US$ 59.3 million) in 2016. The decrease of revenue from 2014 to 2015 and the increase from 2015 to 2016 were insignificant.

Our profit from continuing operations improved from loss of RMB 18.3 million in the first nine months of 2016 to profit of RMB 24.7 million in the first nine months of 2017; and from RMB 1,024.8 million in 2014 to RMB 276.4 in 2015, and improved to RMB 37.0 million (US$ 5.3 million) in 2016.

Net revenues from our Better Schools division, which includes K-12 schools and tutoring, accounted for 57.4%, 61.1%, 65.7%, 63.7% and 65.6% of our total net revenues from continuing operations in 2014, 2015, 2016, the first nine months of 2016 and 2017, respectively. Net revenues from our Better Jobs, which includes continuing operations of Career Enhancements, accounted for 42.6%, 38.9%, 34.3%, 36.3% and 31.5% of our total net revenues from continuing operations in 2014, 2015, 2016, the first nine months of 2016 and 2017, respectively. Net revenue from our Other segment accounted for 2.9% of our total net revenues from continuing operations in the first nine months of 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.

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.

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.

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 137.5 million and included in assets transferred to the third party. 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. We did not recognize any gain or loss from the disposal as the transferred assets equaled the transferred liabilities to the third party.

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,							Nine months Ended September 30,			
	2014		2015		2016			2016		2017	
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$
Net revenues	411,998	100.0	395,715	100.0	412,016	59,343	100.0	280,921	100.0	299,725	45,0
Cost of revenues	(274,036)	(66.5)	(245,945)	(62.2)	(238,742)	(34,386)	(57.9)	(162,961)	(58.0)	(175,720)	(26,
Gross Profit	137,962	33.5	149,770	37.8	173,274	24,957	42.1	117,960	42.0	124,005	18,6

Net revenues

In the first nine months of 2016 and 2017, we generated net revenues of RMB 280.9 million and RMB 299.7 million (US$ 45.0million), respectively from continuing operations.

The increase from the first nine months of 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.

In 2014, 2015 and 2016, we generated net revenues of RMB 412.0 million, RMB 395.7 million and RMB 412.0 million (US$ 59.3 million), respectively from continuing operations.

The decrease of revenue from 2014 to 2015 and the increase from 2015 to 2016 were both insignificant.

We derived net revenues from our three operating segments in terms of percentages of our overall net revenues from continuing operations as follows in 2014, 2015, 2016 and the first nine months of 2016 and 2017:

	Fiscal Year Ended December 31,			Nine months Ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	%	%	%	%	%
Better Schools:					
Tutoring	16.6	13.9	11.7	13.4	15.5
K-12 schools	40.8	47.2	54.0	50.3	50.1
Total Better Schools	57.4	61.1	65.7	63.7	65.6
Better Jobs:					
Career enhancement	42.6	38.9	34.3	36.3	31.5
Others:	-	-	-	-	2.9

Tutoring. We provided educational services in our 9 tutoring centers as of September 30, 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 September 30, 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 25 career enhancement centers, which include 6 career centers, 18 training offices and 1 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 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 APP, 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;

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- 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.

- *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 33.5%, 37.8%, 42.1%, 42.0% and 41.3% in 2014, 2015, 2016, the first nine months of 2016 and 2017, respectively. The increase of gross profit margin from 2014 to 2016 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 first nine months of 2016 to the first nine months of 2017 was mainly due to the improvement of operation efficiency.

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,							Nine months End	
	2014		2015		2016			2016	
	RMB	%	RMB	%	RMB	US$	%	RMB	%
Net revenues	411,998	100.0	395,715	100.0	412,016	59,343	100.0	280,921	100.
Operating expenses:									
Selling and marketing	(80,377)	(19.5)	(55,511)	(14.0)	(41,818)	(6,023)	(10.1)	(30,642)	(10.
General and administrative	(508,544)	(123.4)	(280,634)	(70.9)	(145,513)	(20,958)	(35.3)	(97,880)	(34.
Research and development	(12,259)	(3.0)	(7,308)	(1.8)	(7,572)	(1,091)	(1.8)	(5,732)	(2.0
Impairment loss	(292,577)	(71.0)	(162,351)	(41.0)	(22,402)	(3,227)	(5.4)	(934)	(0.3
Total operating expenses	(893,757)	(216.9)	(505,804)	(127.7)	(217,305)	(31,299)	(52.6)	(135,188)	(48.

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 2014 to 2016 and from first nine months of 2016 to first nine months of 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 123.4% in 2014 to 70.9% in 2015 mainly due to lower service fees related to JPL, lower share-based compensation, and lower professional fees, which further decreased in 2016 and the percentage decreased to 35.3%. There was a decrease of RMB 26.5 million in general and administrative expenses comparing the first nine months of 2016 and 2017, which mainly resulted from the reversal of bad debt provision amounted RMB 33.6 million due to the disposal of Ambow Online, offset by the increase in salary expenses to provide services to our expanded K-12 business.

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.

(in thousands, except percentages)	Fiscal Year Ended December 31,							Nine months Ended Sep		
	2014		2015		2016			2016		2017
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB
Selling and marketing	(351)	0.2	(457)	0.9	-	-	-	-	-	-
General and administrative	(156,870)	99.7	(49,371)	98.5	(7,828)	(1,127)	100.0	(5,814)	100.0	(4,00
Research and development	(144)	0.1	(289)	0.6	-	-	-	-	-	-
Total share-based expenses	(157,365)	100.0	(50,117)	100.0	(7,828)	(1,127)	100.0	(5,814)	100.0	(4,00

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 2014 to the first nine months of 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.

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 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%~5% business tax rate which was applicable prior to the reform.

As of December 31, 2015 and 2016 and September 30, 2017, the payable balances for VAT were RMB 30.6 million, RMB 31.3 million and RMB 8.1 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, 2015 and 2016 and September 30, 2017, the payable balances for business tax were RMB 27.2 million, RMB 24.1 million and RMB 18.5 million, respectively.

Income tax

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

Corporate entities

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

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

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

Private schools

Our private schools, being privately run non-enterprise institutions 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 September 30, 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 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., 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. 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.

In 2014, the Group deconsolidated Jilin Tutoring. The company regained control of previously deconsolidated entities in the second half of 2015, and they were reconsolidated in the 2015, 2016 and the first nine months of 2017 consolidated financial statements.

The separated VIE and Non-VIE financial net revenue and net loss during the year of 2014 was as follows (in RMB thousands):

	VIEs Consolidated	Non-VIEs Consolidated	Inter-company Elimination	Group Consolidated
Net Revenue	403,643	11,557	(3,202)	411,998
Net Loss	(550,911)	(531,644)	-	(1,082,555)

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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
Cash and cash equivalent	125,850	120,453	-	246,303
Inter-Group balances due from VIEs/Non VIEs	1,775,872	3,132,526	(4,908,398)	-
Investment to VIEs	-	81,960	(81,960)	-
Other current assets	277,363	158,958	-	436,321
non-current assets	315,301	10,000	-	325,301
Total Assets	2,494,386	3,503,897	(4,990,358)	1,007,925
Inter-Group balances due to VIEs/Non VIEs	3,421,022	1,391,419	(4,812,441)	-
Other current liabilities	540,097	299,284	-	839,381
non-current liabilities	25,721	-	-	25,721
Total Liabilities	3,986,840	1,690,703	(4,812,441)	865,102
Equity	(1,492,454)	1,813,194	(177,917)	142,823
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	280,362	79,306	-	359,668
Total Assets	2,617,613	3,539,056	(5,180,474)	976,195
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
non-current liabilities	23,172	-	-	23,172
Total Liabilities	3,547,191	2,339,494	(5,025,511)	861,174
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)

The separated VIE and Non-VIE financial net revenue and net loss during the nine month ended September 30, 2016 was as follows (in RMB thousands):

	VIEs Consolidated	Non-VIEs Consolidated	Inter-company Elimination	Group Consolidated
Net Revenue	296,578	4,490	(20,147)	280,921
Net Loss	(775)	(17,491)	-	(18,266)

The separated VIE and Non-VIE financial information during and as at the nine month ended September 30, 2017 was as follows (in RMB thousands):

	VIEs Consolidated	Non-VIEs Consolidated	Inter-company Elimination	Group Consolidated
Cash and cash equivalent	180,445	35,192	-	215,637
Inter-Group balances due from VIEs/Non VIEs	1,974,940	2,428,628	(4,403,568)	-
Investment to VIEs	-	81,960	(81,960)	-
Other current assets	290,642	147,554	-	438,196
non-current assets	278,344	75,718	-	354,062
Total Assets	2,724,371	2,769,052	(4,485,528)	1,007,895
Inter-Group balances due to VIEs/Non VIEs	3,041,169	1,525,802	(4,566,971)	-
Other current liabilities	595,419	247,342	-	842,761
non-current liabilities	21,981	-	-	21,981
Total Liabilities	3,658,569	1,773,144	(4,566,971)	864,742
Equity	(934,198)	995,908	81,443	143,153
Net Revenue	322,539	2,656	(25,470)	299,725
Net Income	16,473	8,260	-	24,733

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. 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 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

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 fourth 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.

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 with the following two-step process. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. The fair value of each reporting unit is established using a combination of expected present value of future cash flows and income approach valuation methodologies. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. A reporting unit constitutes a business for which discrete profit and loss financial information is available. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

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.

We adopted the guidance on accounting for uncertainty in income taxes as of January 1, 2007. The guidance 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 de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. Significant judgment is required in evaluating the 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 our belief that our 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.

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.

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, 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).

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,				Nine months Ended Septembe		
	2014	2015	2016		2016	2017	
Consolidated Statement of Operations Data:	RMB	RMB	RMB	US$	RMB	RMB	U
Revenue	411,998	395,715	412,016	59,343	280,921	299,725	4
Cost of revenue (1)	(274,036)	(245,945)	(238,742)	(34,386)	(162,961)	(175,720)	(
Gross profit	137,962	149,770	173,274	24,957	117,960	124,005	1
Selling and marketing (1)	(80,377)	(55,511)	(41,818)	(6,023)	(30,642)	(28,205)	(
General and administrative (1)	(508,544)	(280,634)	(145,513)	(20,958)	(97,880)	(71,409)	(
Research and development (1)	(12,259)	(7,308)	(7,572)	(1,091)	(5,732)	(4,653)	(
Impairment loss	(292,577)	(162,351)	(22,402)	(3,227)	(934)	-	-
Operating (loss) income	(755,795)	(356,034)	(44,031)	(6,342)	(17,228)	19,738	2
Other (expenses) income	(267,861)	(39,371)	12,924	1,862	6,177	13,994	2
(Loss)/income before income taxes	(1,023,656)	(395,405)	(31,107)	(4,480)	(11,051)	33,732	5
Income tax (expense)/benefit	(1,135)	118,963	(5,911)	(851)	(7,215)	(8,999)	(
(Loss)/income from continuing operation	(1,024,791)	(276,442)	(37,018)	(5,331)	(18,266)	24,733	3
(Loss)/income from and on sale of discontinued operations, net of income tax	(57,764)	340,798	-	-	-	-	-
Net (loss)/income	(1,082,555)	64,356	(37,018)	(5,331)	(18,266)	24,733	3
Net income/ (loss) attributable to non-controlling interests	(5,742)	617	(1,318)	(190)	102	(200)	(
Net (loss)/income attributable to ordinary shareholders interests(1)	(1,076,813)	63,739	(35,700)	(5,141)	(18,368)	24,933	3
Net (loss)/income from continuing operations per ordinary share							
Basic	(73.13)	(7.52)	(0.93)	(0.13)	(0.48)	0.64	0
Diluted	(73.13)	(7.52)	(0.93)	(0.13)	(0.48)	0.63	0
Net (loss)/income from discontinued operations per ordinary share							
Basic	(4.18)	9.25	-	-	-	-	-
Diluted	(4.18)	9.25	-	-	-	-	-
Net (loss)/income from continuing operations per ADS							

Basic	(146.26)	(15.04)	(1.86)	(0.26)	(0.96)	1.28	0
Diluted	(146.26)	(15.04)	(1.86)	(0.26)	(0.96)	1.26	0
Net (loss)/income from discontinued operations per ADS							
Basic	(8.36)	18.50	-	-	-	-	-
Diluted	(8.36)	18.50	-	-	-	-	-
Weighted average shares used in calculating net income/(loss) per share							
Basic	13,928,048	36,848,816	38,469,234	38,469,234	38,411,480	38,803,676	3
Diluted	13,928,048	36,848,816	38,469,234	38,469,234	38,411,480	39,310,607	3

(1) Includes depreciation and amortization of RMB 57.7 million, RMB 41.1 million and RMB 25.0 million (US$ 3.6 million), RMB 20.5 million and RMB 16.8 million, excluding Jinghan Group, for the years ended December 31, 2014, 2015, 2016 and the first nine months of 2016 and 2017, respectively.

Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Net revenues. Our net revenues increased by 6.7% from RMB 280.9 million in the first nine months of 2016 to RMB 299.7 (US$ 45.0 million) in the first nine months of 2017. The increase was mainly driven by higher student enrollment for the 2016-2017 academic year in the Company's K-12 schools from the fall semester in 2016 and the new revenue from intellectualized operational services contributed by IValley Beijing.

Cost of revenues. Our cost of revenues increased by 7.8% from RMB 163.0 million in the first nine months of 2016 to RMB 175.7 million (US$ 26.4 million) in first nine months of 2017. There was an increase in performance-based compensation for teaching faculties and the new cost of revenue from intellectualized operational services contributed by IValley Beijing.

Gross profit. Gross profit as a percentage of our net revenues slightly increased from 42.0% in the first nine months of 2016 to 41.3% in the first nine months of 2017. There was no material fluctuation.

Operating expenses. Our total operating expenses decreased by 22.9% from RMB 135.2 million in the first nine months of 2016 to RMB 104.3 million (US$ 15.7 million) in the first nine months of 2017, mainly due to the reversal of bad debt provision amounted RMB 33.6 million due to the disposal of Ambow Online.

- *Selling and marketing expenses*. Our selling and marketing expenses decreased by 8.0% from RMB 30.6 million in the first nine months of 2016 to RMB 28.2 million (US$ 4.2 million) in the first nine months of 2017. The change was primarily due to lower spending on marketing expense.

- *General and administrative expenses*. Our general and administrative expenses decreased by 27.0% from RMB 97.9 million in the first nine months of 2016 to RMB 71.4 million (US$ 10.7 million) in the first nine months of 2017. The decrease was mainly due to reversal of bad debt provision amounted RMB 33.6 million due to the disposal of Ambow Online, offset by the increase in salary expenses to provide services to our expanded K-12 business.

- *Research and development expenses*. Our research and development expenses decreased by 18.8% from RMB 5.7 million in the first nine months of 2016 to RMB 4.7 million (US$ 0.7 million) in the first nine months of 2017. The decrease was mainly due the increase in capitalization of research and development expenses.

Other income (expense), net. We recorded net other income of RMB 14.0 million (US$ 2.1 million) in the first nine months of 2017, compared to net other income of RMB 6.2 million in the first nine months of 2016. The increase was mainly due to the disposal of 21st Training Center in the third quarter of 2017.

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Income tax expense. Our income tax expense changed from RMB 7.2 million in the first nine months of 2016 to RMB 9.0 million (US$ 1.4 million) in the first nine months of 2017.

Income/(loss) from continuing operations. Our loss from continuing operations decreased from loss of RMB 18.3 million in the first nine months of 2016 to income of RMB 24.7 million (US$ 3.7 million) in the first nine months of 2017. Our loss from continuing operations turned to profit mainly due to the reversal of bad debt provision, the new income from intellectualized operational services and the disposal of 21st Training Center in the third quarter of 2017.

Net income/(loss). According to above mentioned factors, our net income/(loss) changed from loss of RMB 18.3 million in the first nine months of 2016 to income of RMB 24.7 million (US$ 3.7 million) in the first nine months of 2017.

Year ended December 31, 2016 compared with year ended December 31, 2015

Net revenues. Our net revenues increased by 4.1% from RMB 395.7 million in 2015 to RMB 412.0 (US$ 59.3 million) in 2016. The increase was primarily due to the increase in student enrolment and average tuition fees in some of our K-12 schools.

Cost of revenues. Our cost of revenues decreased by 2.9% from RMB 245.9 million in 2015 to RMB 238.7 million (US$ 34.4 million) in 2016. There was no material fluctuation in the cost of revenues from 2015 to 2016.

Gross profit. Gross profit as a percentage of our net revenues increased from 37.8% in 2015 to 42.1% in 2016. The increase was primarily driven by the effective expense control and improvement of operational efficiency.

Operating expenses. Our total operating expenses decreased by 57.0% from RMB 505.8 million in 2015 to RMB 217.3 million (US$ 31.3 million) in 2016. This decrease was mainly due to lower general and administrative expenses and lower impairment loss in 2016 compared to 2015.

- *Selling and marketing expenses*. Our selling and marketing expenses decreased by 24.7% from RMB 55.5 million in 2015 to RMB 41.8 million (US$ 6.0 million) in 2016. The decreases were mainly due to the change of marketing strategy and the decrease of advertising expense.

- *General and administrative expenses*. Our general and administrative expenses decreased by 48.1% from RMB 280.6 million in 2015 to RMB 145.5 million (US$ 21.0 million) in 2016. The decrease was mainly due to lower share-based compensation, lower bad debt provision, lower other one-time expenses, as well as less headcount.

- *Research and development expenses*. Our research and development expenses increased by 4.1% from RMB 7.3 million in 2015 to RMB 7.6 million (US$ 1.1 million) in 2016. There was no material fluctuation.

- *Impairment loss*. The impairment loss of RMB 22.4 million (US$ 3.2 million) in 2016 was mainly due to the impairment loss recognized in goodwill and intangible assets.

Other income (expense), net. We recorded net other income of RMB 12.9 million (US$ 1.9 million) in 2016, compared to net other expenses of RMB 39.4 million in 2015. The amount has turned into profit mainly due to the interest income received from short-term investments and the income on sale of investment available for sale in 2016, comparing to a loss of RMB 39.4 million in 2015 mainly from one-time expense related to convertible loan.

Income tax benefit (expense). Our income tax benefit/(expense) changed from RMB 119.0 million benefit in 2015 to RMB 5.9 million (US$ 0.9 million) expense in 2016. Excluding the income tax impact of 2015, our recognized income expense comprised of tax expense of RMB 4.9 million for continuing operation results, tax expense of RMB 4.1 million related to allowance of deferred tax assets, and tax benefit of RMB 3.1 million related to deferred tax liabilities reversal due to unrecognized valuation surplus amortization and assets impairment.

Income/(loss) from continuing operations. Our loss from continuing operations decreased from loss of RMB 276.4 million in 2015 to loss of RMB 37.0 million (US$ 5.3 million) in 2016. If excluding impairment charges of RMB 162.4 million and RMB 22.4 million in 2015 and 2016, respectively, our loss from continuing operations improved RMB 99.4 million mainly due to less one-time expense and effective cost control.

Income/(loss) from and on sale of discontinued operations, net of income tax. We recognized a gain of RMB 340.8 million on the disposal of Jinghan Group in 2015, while there was no such transaction in 2016.

Net income/(loss). According to above mentioned factors, our net income/(loss) changed from income of RMB 64.4 million in 2015 to loss of RMB 37.0 million (US$ 5.3 million) in 2016.

Year ended December 31, 2015 compared with year ended December 31, 2014

Net revenues. Our net revenues decreased by 4.0% from RMB 412.0 million in 2014 to RMB 395.7 (US$ 61.1 million) in 2015. There were no material changes on net revenue from 2014 to 2015.

Cost of revenues. Our cost of revenues decreased by 10.3% from RMB 274.0 million in 2014 to RMB 245.9 million (US$ 38.0 million) in 2015. The decrease was due to the effective cost control.

Gross profit. Gross profit as a percentage of our net revenues increased from 33.5% in 2014 to 37.8% in 2015. The increase was primarily driven by lower employee cost due to reduction of headcounts and the effective expense control.

Operating expenses. Our total operating expenses decreased by 43.4% from RMB 893.8 million in 2014 to RMB 505.8 million (US$ 78.1 million) in 2015. This decrease was mainly due to lower general and administrative expenses and lower impairment loss in 2015 compared to 2014.

- *Selling and marketing expenses*. Our selling and marketing expenses decreased by 31.0% from RMB 80.4 million in 2014 to RMB 55.5 million (US$ 8.6 million) in 2015. The decreases were mainly due to the change of marketing strategy and the decrease of advertising expense.

- *General and administrative expenses*. Our general and administrative expenses decreased by 44.8% from RMB 508.5 million in 2014 to RMB 280.6 million (US$ 43.3 million) in 2015. The decrease was mainly due to lower share-based compensation, lower bad debt provision, lower other one-time expenses, as well as less headcount.

- *Research and development expenses*. Our research and development expenses decreased by 40.7% from RMB 12.3 million in 2014 to RMB 7.3 million (US$ 1.1 million) in 2015. This decrease was primarily due to the reducing of the team size.

- *Impairment loss*. The impairment loss of RMB 162.4 million (US$ 25.1 million) in 2015 was mainly due to the impairment loss recognized in intangible assets, fixed assets, long-term investment, other current assets and other non-current assets.

Other income (expense), net. We recorded net other expenses of RMB 39.4 million (US$ 6.1 million) in 2015, compared to net other expenses of RMB 267.9 million in 2014. The decrease was mainly due to decrease in interest expenses from amortization of BCF related to the convertible loan and the one-time expense of loss from extinguishment of debt in 2014.

Income tax benefit (expense). Our income tax benefit/(expense) changed from RMB 1.1 million expense in 2014 to RMB 119.0million (US$ 18.4 million) benefit in 2015. This change was primarily related to a recognized tax benefit of about RMB 52.9 million for the excess of outside tax basis over financial reporting basis of Jinghan Group due to the disposal, deferred tax liabilities written-off related to assets impairment of RMB 40.4 million and assuming the utilization of net loss carried forward from previous years of RMB 17.9 million.

Income/(loss) from continuing operations. Our loss from continuing operations decreased from loss of RMB 1,024.8 million in 2014 to loss of RMB 276.4 million (US$ 42.7 million) in 2015. This change was primarily due to lower impairment charges, effective cost control and the amortization of BCF related to the convertible loan and the one-time expense of loss from extinguishment of debt in 2014.

Income/(loss) from and on sale of discontinued operations, net of income tax. Our income from and on sale of discontinued operation, net of income tax was RMB 340.8 million (US$ 52.6 million) in 2015, compared to loss from and on sale of discontinued operations, net of income tax of RMB 57.8 million in 2014. The income from and on sale of discontinued operation in 2015 was mainly due to the income recognized on the disposal of Jinghan Group.

Net income/(loss). According to above mentioned factors, our net income/(loss) increased from loss of RMB 1,082.6 million in 2014 to income of RMB 64.4 million (US$ 9.9 million) in 2015.

Discussion of segment operations

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

(in thousands)	Fiscal Year Ended December 31,				Nine months Ended September 30,		
	2014	2015	2016		2016	2017	
Consolidated Statement of Operations Data:	RMB	RMB	RMB	US$	RMB	RMB	US$
Net revenues:							
Tutoring	68,203	54,888	47,985	6,911	37,748	46,510	6,991
K-12 schools	168,244	186,747	222,592	32,060	141,327	150,236	22,581
Better Schools net revenues	236,447	241,635	270,577	38,971	179,075	196,746	29,572
Career enhancement	175,551	154,080	141,439	20,372	101,846	94,323	14,176
Better Jobs net revenues	175,551	154,080	141,439	20,372	101,846	94,323	14,176
Others	-	-	-	-	-	8,656	1,301
Total revenues of reportable segments and the company	411,998	395,715	412,016	59,343	280,921	299,725	45,049
Cost of revenues:							
Tutoring	(52,728)	(41,048)	(33,465)	(4,820)	(27,162)	(22,575)	(3,393)
K-12 schools	(115,416)	(116,819)	(137,833)	(19,852)	(90,208)	(102,117)	(15,348)
Better Schools net revenues	(168,144)	(157,867)	(171,298)	(24,672)	(117,370)	(124,692)	(18,741)
Career enhancement	(105,892)	(88,078)	(67,444)	(9,714)	(45,591)	(44,969)	(6,759)

Better Jobs net revenues	(105,892)	(88,078)	(67,444)	(9,714)	(45,591)	(44,969)	(6,759)
Others	-	-	-	-	-	(6,059)	(911)
Total cost of revenues of reportable segments and the company	(274,036)	(245,945)	(238,742)	(34,386)	(162,961)	(175,720)	(26,411)
Gross profit							
Tutoring	15,475	13,840	14,520	2,091	10,586	23,935	3,597
K-12 schools	52,828	69,928	84,759	12,208	51,119	48,119	7,232
Better Schools gross profit	68,303	83,768	99,279	14,299	61,705	72,054	10,829
Career enhancement	69,659	66,002	73,995	10,658	56,255	49,354	7,419
Better Jobs gross profit	69,659	66,002	73,995	10,658	56,255	49,354	7,419
Others	-	-	-	-	-	2,597	390
Total gross profit of reportable segments and the company	137,962	149,770	173,274	24,957	117,960	124,005	18,638
Gross margin							
Tutoring	22.7 %	25.2 %	30.3 %	30.3 %	28.0 %	51.5 %	51.5 %
K-12 schools	31.4 %	37.4 %	38.1 %	38.1 %	36.2 %	32.0 %	32.0 %
Better Schools gross margin	28.9 %	34.7 %	36.7 %	36.7 %	34.5 %	36.6 %	36.6 %
Career enhancement	39.7 %	42.8 %	52.3 %	52.3 %	55.2 %	52.3 %	52.3 %
Better Jobs gross margin	39.7 %	42.8 %	52.3 %	52.3 %	55.2 %	52.3 %	52.3 %
Others	-	-	-	-	-	30.0 %	30.0 %
Total gross margin of reportable segments and the company	33.5 %	37.8 %	42.1 %	42.1 %	42.0 %	41.3 %	41.3 %

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Nine months ended September 30, 2017 compared with nine months ended September 30, 2016

Tutoring

Net revenues from our tutoring segment increased from RMB 37.7 million in the first nine months of 2016 to RMB 46.5 million (US$ 7.0 million) in the first nine months of 2017. The increase was primarily due to the recognition of tuition fee which the prior years' courses were expired.

Cost of revenues from our tutoring segment decreased from RMB 27.2 million in first nine months of 2016 to RMB 22.6 million (US$ 3.4 million) in the first nine months of 2017. The decrease was mainly due to the improvement in operation efficiency.

Gross profit as a percentage of our net revenues from our tutoring segment was 28.0% in the first nine months of 2016 and 51.5% in the first nine months of 2017. The increase was mainly due to the recognition of tuition fee which the prior years' courses were expired.

K-12 schools

Net revenues from our K-12 schools segment increased from RMB 141.3 million in the first nine months of 2016 to RMB 150.2 million (US$ 22.6 million) in the first nine months of 2017. The increase was primarily driven by higher student enrollment for the 2016-2017 academic year from the fall semester in 2016.

Cost of revenues from our K-12 schools segment increased from RMB 90.2 million in the first nine months of 2016 to RMB 102.1 million (US$ 15.3 million) in the first nine months of 2017. The increase was primarily due to more supporting direct cost related to the increase in student enrollment and an increase in performance-based compensation for teaching faculties in the first nine months of 2017.

Gross profit as a percentage of our net revenues from our K-12 schools segment was 36.2% in the first nine months of 2016 and 32.0% in the first nine months of 2017. The decrease in the gross profit margin was mainly due to an increase in performance-based compensation for teaching faculties in the first nine months of 2017.

Career enhancement

Net revenues from our career enhancement segment increased from RMB 101.8 million in the first nine months of 2016 to RMB 94.3 million (US$ 14.2 million) in the first nine months of 2017, which was insignificant.

Cost of revenues in our career enhancement segment decreased from RMB 45.6 million in the first nine months of 2016 to RMB 45.0 million (US$ 6.8 million) in the first nine months of 2017, which was insignificant

Gross profit as a percentage of our net revenues from our career enhancement segment was 55.2% in the first nine months of 2016 and 52.3% in the first nine months of 2017. There fluctuation in gross profit margin was mainly due to an increase in performance-based compensation for teaching faculties in the first nine months of 2017.

Others

Net revenues from our others segment was RMB 8.7 million (US$ 1.3 million) in the first nine months of 2017.

Cost of revenues in our others segment was RMB 6.1 million (US$ 0.9 million) in the first nine months of 2017.

Gross profit as a percentage of our net revenues from our others segment was 30.0% in the first nine months of 2017.

Year ended December 31, 2016 compared with year ended December 31, 2015

Tutoring

Net revenues from our tutoring segment decreased from RMB 54.9 million in 2015 to RMB 48.0 million (US$ 6.9 million) in 2016. The decrease was primarily due to our effort to re-establish a solid foundation for future growth by suspension of non-performing businesses.

Cost of revenues from our tutoring segment decreased from RMB 41.0 million in 2015 to RMB 33.5 million (US$ 4.8 million) in 2016. The decrease was in line with the decrease in revenue.

Gross profit as a percentage of our net revenues from our tutoring segment was 25.2 % in 2015 and 30.3 % in 2016. The increase was mainly driven by our effort to re-establish a solid foundation for future growth by suspension of non-performing businesses.

K-12 schools

Net revenues from our K-12 schools segment increased from RMB 186.7 million in 2015 to RMB 222.6 million (US$ 32.1 million) in 2016. The increase was primarily due to the increase in student enrolment and average tuition fees in some of our K-12 schools.

Cost of revenues from our K-12 schools segment increased from RMB 116.8 million in 2015 to RMB 137.8 million (US$ 19.9 million) in 2016. The increase was primarily due to more supporting direct cost related to the increase in student enrollment.

Gross profit as a percentage of our net revenues from our K-12 schools segment was 37.4% in 2015 and 38.1% in 2016. The increase in the gross profit margin was mainly due to the effective cost control.

Career enhancement

Net revenues from our career enhancement segment decreased from RMB 154.1 million in 2015 to RMB 141.4 million (US$ 20.4 million) in 2016. The decrease was primarily due to our effort to re-establish a solid foundation for future growth by suspension of non-performing businesses.

Cost of revenues in our career enhancement segment decreased from RMB 88.1 million in 2015 to RMB 67.4 million (US$ 9.7 million) in 2016, which was mainly caused by suspension of non-performing business and our effort in cost saving initiatives.

Gross profit as a percentage of our net revenues from our career enhancement segment was 42.8% in 2015 and 52.3% in 2016. The increase in gross margin was mainly driven by our effort to re-establish a solid foundation for future growth by closing down non-performing businesses.

Year ended December 31, 2015 compared with year ended December 31, 2014

Tutoring

Net revenues from our tutoring segment decreased from RMB 68.2 million in 2014 to RMB 54.9 million (US$ 8.5 million) in 2015. The decrease was primarily due to decreased student enrollments impacted by reduced sales force during the restructuring period.

Cost of revenues from our tutoring segment decreased from RMB 52.7million in 2014 to RMB 41.0 million (US$ 6.3 million) in 2015. The decrease was mainly achieved by the cost saving initiatives to improve operation efficiency.

Gross profit as a percentage of our net revenues from our tutoring segment was 22.7 % in 2014 and 25.2 % in 2015. The increase was mainly driven by lower employee cost due to reduction of headcounts and better expense control in 2015.

K-12 schools

Net revenues from our K-12 schools segment increased from RMB 168.2 million in 2014 to RMB 186.7 million (US$ 30.3 million) in 2015. The increase was primarily due to the different amortization days of revenue basis due to timing of public holidays in China. In long-term, our K-12 revenue is stable.

Cost of revenues from our K-12 schools segment increased from RMB 115.4 million in 2014 to RMB 116.8 million (US$ 18.0 million) in 2015. The increase was insignificant.

Gross profit as a percentage of our net revenues from our K-12 schools segment was 31.4% in 2014 and 37.4 % in 2015. The increase in the gross profit margin was mainly due to the increase of revenue.

Career enhancement

Net revenues from our career enhancement segment decreased from RMB 175.6 million in 2014 to RMB 154.1 million (US$ 23.8 million) in 2015. The decrease was primarily due to decreased student enrollments impacted by reduced sales force during the period.

Cost of revenues in our career enhancement segment decreased from RMB 105.9 million in 2014 to RMB 88.1 million (US$ 13.6 million) in 2015, which was mainly achieved by the cost saving initiatives to improve operation efficiency.

Gross profit as a percentage of our net revenues from our career enhancement segment was 39.7% in 2014 and 42.8 % in 2015. The increase in gross margin was mainly driven by improved operation efficiency.

Liquidity and Capital Resources

The Group's consolidated current liabilities exceeded its consolidated current assets by approximately RMB 188.9 as of September 30, 2017. The Group reported a net loss of RMB 276.4 million and RMB 37.0 million from continued operations for the years ended December 31, 2015 and 2016, respectively, which included a non-cash impairment charge of RMB 205.3 million related to provision of receivables, impairment loss of fixed assets, intangible assets, long term investment, other non-current assets and other current assets, and a non-cash expense of RMB 56.5 million related to the interest expense of convertible loan in 2015; and a non-cash impairment loss of intangible assets and goodwill of RMB 22.4 million and RMB 1.7 million provision of prepaid and other current assets in 2016. The Group's operating results for future periods are subject to numerous uncertainties and it is uncertain if the Group will be able to reduce or eliminate its net losses for the foreseeable future. If management is not able to increase revenue and/or manage operating expenses in line with revenue forecasts, the company may not be able to achieve profitability.

The Group's principal sources of liquidity have been cash provided by operating activities. As of September 30, 2017, the Group had RMB 215.6 million in unrestricted cash and cash equivalents. The Group's cash and cash equivalents consist of cash on hand and liquid investments that are unrestricted as to withdrawal or use, have maturities of three months or less and are placed with banks and other financial institutions. As of September 30, 2017, the Group had RMB 180.4 million in unrestricted cash and cash equivalents from VIEs. The Group's consolidated net assets were amounting to RMB 143.2 million as of September 30, 2017. In addition the Group has lease commitment of RMB 113.9 million as of September 30, 2017, of which RMB 5.3 million was remained within the rest of 2017.

The Group had approximately RMB 132.0 million and RMB 95.0 million short term investments, available for sale and short term investments, held to maturity as of September 30, 2017, which was held as short-term investments to be liquid on the expiration date before September 30, 2018.

Historically, the Group has addressed liquidity requirements through a series of cost reduction initiatives, debt borrowings and the sale of subsidiaries and other non-performing assets. From the third quarter of 2017 and onwards, the Group has established intellectualized operational services as a new revenue driving business which would also bring in operating funds, and will continue to focus on developing core cash-generating business and products, improving operation efficiency and cost reduction, and enhancing marketing sales force. Actions include expanding Financial Share Service Centers across the Group wide and standardizing the Group's Finance and Operation Policies throughout the Group; implementing enhanced vendor review and selection processes as well as implementing ERP systems to standardize operations, enhance internal controls, and create synergy of the Group's resources.

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

Condensed summary of our cash flows

(in thousands)	Fiscal Year Ended December 31,				Nine months Ended September 30,		
	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
Net cash (used in)/provided by operating activities	(160,367)	(40,119)	17,535	2,524	41,242	27,634	4,154
Net cash (used in)/provided by investing activities	110,221	58,214	(65,218)	(9,393)	(102,840)	(48,718)	(7,323)
Net cash provided by/(used in) financing activities	87,003	12,830	(1,504)	(216)	(1,500)	39,821	5,985
Changes in cash, cash equivalents and restricted cash included in assets held for sale	43,870	38,063	-	-	-	-	-
Effects of exchange rate changes on cash, cash equivalents and restricted cash	404	(2,968)	84	12	-	-	-
Net change in cash, cash equivalents and restricted cash	81,131	66,020	(49,103)	(7,073)	(63,098)	18,737	2,816
Cash, cash equivalents and restricted cash at beginning of year	101,202	182,333	248,353	35,770	248,353	199,250	29,948
Cash, cash equivalents and restricted cash at end of year	182,333	248,353	199,250	28,697	185,255	217,987	32,764

Operating activities

Net cash provided by operating activities amounted to RMB 27.6 million (US$ 4.2 million) in the nine months ended September 30, 2017, as compared to net cash provided by operating activities of RMB 41.2 million in the nine months ended September 30, 2016. Net cash provided by operating activities amounted to RMB 17.5 million (US$ 2.5 million) in the year ended December 31, 2016, as compared to net cash used in operating activities of RMB 40.1 million in the year ended December 31, 2015 and net cash used in operating activities of RMB 160.4 million in the year ended December 31, 2014.

Net cash provided by operating activities in the nine months ended September 30, 2017 was primarily attributable to net profit of RMB 24.7 million (US$ 3.6 million), depreciation and amortization of RMB 16.8 million (US$ 2.5 million), a share compensation expense of RMB 4.0 million (US$ 0.6 million), a bad debt provision of RMB 4.0 million (US$ 0.6 million), an increase in income tax payable of RMB 14.0 million (US$ 2.1 million), a decrease in prepaid and other current assets of RMB 24.2 million (US$ 3.6 million), and an increase in deferred revenue of RMB 59.6 million (US$ 8.8 million), partially offset by increase in accounts receivable of RMB 30.3 million (US$ 4.5

million), a decrease in accrued and other liabilities of RMB 82.9 million (US$ 12.2 million), a decrease in amounts due to related parties of RMB 4.2 million (US$ 0.6 million), and an increase in other non-current assets of RMB 7.4 million (US$ 1.1 million).

Net cash provided by operating activities in the nine months ended September 30, 2016 was primarily attributable to depreciation and amortization of RMB 20.5 million, a share based compensation of RMB 5.8 million, an increase in income tax payable of RMB 6.3 million, an increase in accrual and other liabilities of RMB 4.0 million, and an increase in deferred revenue of RMB 40.0 million, partially offset by net loss of RMB 18.3 million, an increase in accounts receivable of RMB 12.2 million, a decrease in accounts payable of RMB 2.2 million, an increase in other non-current assets of RMB 0.5 million and an increase in prepaid and other current assets of RMB 2.2 million.

Net cash provided by operating activities in the year ended December 31, 2016 was primarily attributable to depreciation and amortization of RMB 25.0 million (US$ 3.6 million), share-based compensation expense of RMB 7.8 million (US$ 1.1 million), impairment losses of RMB 22.4 million (US$ 3.2 million), an increase in accrued and other liabilities of RMB 2.6 million (US$ 0.4 million) and an increase in income tax payable of RMB 3.5 million (US$ 0.5 million), partially offset by net loss of RMB 37.0 million (US$ 5.3 million), an decrease deferred revenue of RMB 6.4 million (US$ 0.9 million), an increase in accounts receivable of RMB 2.3 million (US$ 0.3 million) and a decrease in accounts payable of RMB 1.7 million (US$ 0.2 million).

Net cash used in operating activities in the year ended December 31, 2015 was primarily attributable to net income of RMB 64.4 million (US$ 9.9 million), a disposal gain from subsidiaries of RMB 343.9 million (US$ 53.1 million), an increase in prepaid and other current assets of RMB 18.2 million (US$ 2.8 million), an income on reconsolidate de-consolidate entities of RMB 14.1 million (US$ 2.2 million), an increase in amount of income tax payable of RMB 6.9 million (US$ 1.1 million), and an decrease in amount of deferred tax of RMB 128.8 million (US$ 19.9 million), partially offset by depreciation and amortization of RMB 45.7 million (US$ 7.1 million), an increase in interest expense of RMB 56.5 million (US$ 8.7 million), an increase in share-based compensation of RMB 50.1 million (US$ 7.7 million), an increase in impairment loss of RMB 162.4 million (US$ 25.1 million), an increase in amount of bad debt provision of RMB 43.0 million (US$ 6.6 million), an increase in accrued and other liabilities of RMB 34.4 million (US$ 5.3 million) and an increase in deferred revenue of RMB 8.8 million (USD$ 1.4 million).

Net cash used in operating activities in the year ended December 31, 2014 was primarily attributable to net loss of RMB 1,082.6 million (US$174.5 million), an increase in prepaid and other current assets of RMB 65.0 million (US$10.5 million), an decrease in amount of accrued and other liabilities of RMB 18.5 million (US$3.0 million), and deferred tax of RMB 28.1 million (US$4.5 million), partially offset by depreciation and amortization of RMB 86.6 million (US$14.0 million), a loss in extinguishment of debt of RMB 143.9 million (US$23.2 million), an increase in interest expense of RMB 121.8 million (US$19.6 million), an increase in share-based compensation of RMB 157.4 million (US$25.4 million), an increase in impairment loss of RMB 292.6 million (US$47.2 million), an increase in amount of bad debt provision of RMB 151.1 million (US$24.4 million), an decrease in other non-current assets of RMB 10.2 million (US$1.6 million), an increase of deferred revenue of RMB 39.8 million (USD$6.4 million) and an decrease in accounts receivable of RMB 25.3 million (USD$4.1 million), due to the allowance for doubtful accounts.

Investing activities

Net cash used by investing activities amounted to RMB 48.7 million (US$ 7.3 million) in the nine months ended September 30, 2017, as compared to net cash used in investing activities of RMB 102.8 million in the nine months ended September 30, 2016. Net cash used in investing activities amounted to RMB 65.2 million (US$ 9.4 million) in the year ended December 31, 2016 as compared to RMB 58.2 million net cash inflow in the year ended December 31, 2015 and RMB 110.2 million net cash inflow in the year ended December 31, 2014.

Net cash used by investing activities in the nine months ended September 30, 2017 was primarily attributable to purchase of available-for-sale investments of RMB 111.2 million (US$ 16.7 million), purchase of held-to-maturity investments of RMB 452.7 million (US$ 68.0 million), increase in leasehold improvement of RMB 3.5 million (US$ 0.5 million), purchase of property and equipment of RMB 6.2 million (US$ 0.9 million), increase in loan receivables of RMB 42.7 million (US$ 6.4 million), purchase of intangible assets of RMB 1.1 million (US$ 0.2 million), and the cash balance of disposed entities of RMB 4.3 million (US$ 0.6 million), partially offset by redemption from available-for-sale investments of RMB 152.4 million (US$22.9 million), and maturity and redemption from held-to-maturity investments of RMB 422.4 million (US$ 63.5 million).

Net cash used by investing activities in the nine months ended September 30, 2016 was primarily attributable to purchase of available-for-sale investments of RMB 333.3 million, purchase of held-to-maturity investments of RMB 486.0 million, increase in leasehold improvement of RMB 3.6 million and purchase of property and equipment of RMB 4.2 million, partially offset by redemption from available-for-sale investments of RMB 182.1 million and redemption from held-to-maturity investments of RMB 542.2 million.

Net cash used in investing activities in the year ended December 31, 2016 was mainly attributable to purchase of available-for-sale investments of RMB 442.8 million (US$ 63.8 million), purchase of held-to-maturity investments of RMB 651.5 million (US$ 93.8 million), prepayment of acquisition of property of RMB 71.0 million (US$ 10.2 million), purchase of property and equipment of RMB 7.4 million (US$ 1.1 million) and prepayment for leasehold improvement of RMB 3.9 million (US$ 0.6 million), partially offset by redemption from available-for-sale investments of RMB 373.9 million (US$ 53.9 million), redemption from held-to-maturity investments of RMB 738.6 million (US$ 106.4 million) and fund from maturity of term deposits of RMB 1.2 million (US$ 0.2 million).

Net cash provided by investing activities in the year ended December 31, 2015 was mainly from disposal of subsidiaries of RMB 287.4 million (US$ 44.4 million), net of the cash balance at disposed entities, maturity and redemption from held-to-maturity investments of RMB 376.1 million (US$ 58.1 million), redemption from available-for-sale investments of RMB 114.6 million (US$ 17.7 million), proceed from transferring financial assets of RMB 40 million (US$ 6.2 million) and the withdrawal of term deposit of RMB 9.9 million (US$ 1.5 million), partially offset by the payments for available-for-sale investments of RMB 216.9 million (US$ 33.5 million), payments for held-to-maturity investments of RMB 527.9 million (US$ 81.5 million), purchase of properties and equipment of RMB 7.6 million (US$ 1.2 million), purchase of subsidiaries of RMB 14 million (US$ 2.2 million) and prepayment of leasehold improvement of RMB 4.3 million (US$ 0.7 million).

Net cash provided by investing activities in the year ended December 31, 2014 was mainly from disposal of subsidiaries of RMB 135.0 million, partially offset by the purchase of property and equipment of RMB 6.5 million, placement of term deposits of RMB 10.2 million, and prepayment of leasehold improvement of RMB 8.1 million.

Financing activities

Our financing activities consist primarily of short-term and long-term borrowings. Net cash provided by financing activities amounted to RMB 39.8 million (US$ 6.0 million) in the nine months ended September 30, 2017, as compared to net cash used by financing activities of RMB 1.5 million in the nine months ended September 30, 2016. Net cash used in financing activities amounted to RMB 1.5 million (US$ 0.2 million) in the year ended December 31, 2016, as compared to net cash provided amounted to RMB 12.8 million in the year ended December 31, 2015 and RMB 87.0 million in the year ended December 31, 2014.

Net cash provided by financing activities in the nine months ended September 30, 2017 was primarily attributable to the proceeds from short-term borrowings amounted to RMB 39.8 million (US$ 6.0 million).

Net cash used by financing activities in the nine months ended September 30, 2016 was primarily attributable to the repayments of short-term borrowings amounted to RMB 2.3 million, offset by proceeds from minority shareholder capital injection amounted to RMB 0.8 million.

Net cash used in financing activities in the year ended December 31, 2016 was attributable to repayments of short-term borrowings amounted to RMB 2.3 million (US$ 0.3 million), offset by proceeds from minority shareholder capital injection of RMB 0.8 million (US$ 0.1 million).

Net cash provided by financing activities in the year ended December 31, 2015 was attributable to repayment of short-term borrowings of RMB 39.6 million (US$ 6.1 million), partially offset by proceeds from short-term borrowings of RMB 2.3 million (US$ 0.4 million) and proceeds from issuing convertible loan of RMB 50 million (US$ 7.7 million).

Net cash provided by financing activities in the year ended December 31, 2014 was attributable to proceeds from convertible loan of RMB 109.3 million, and proceeds from short-term borrowings of RMB 54.4 million, partially offset by repayments on short-term borrowings of RMB 77 million.

Changes in cash, cash equivalents and restricted cash included in assets held for sale

Changes in cash, cash equivalents and restricted cash included in assets held for sale was nil in the year ended December 31, 2016 and for the nine months ended September 30, 2016 and 2017.

Changes in cash, cash equivalents and restricted cash included in assets held for sale in the year ended December 31, 2015 was attributable to an increase of RMB 38.1 million, which are the cash balance of Jinghan Group. The disposal of Jinghan Group was completed by April 8, 2015.

Changes in cash and cash equivalents included in assets held for sale in the year ended December 31, 2014 was attributable to an increase of RMB 42.3 million.

Short-term borrowings

During 2014, 2015, 2016 and the nine months ended September 30, 2016 and 2017, we and our affiliated entities entered into various short-term loan agreements in the aggregate amount of RMB 39.6 million, RMB 2.3 million, nil, nil and RMB 39.8 million, respectively, with terms less than one year.

The weighted average interest rate of short-term borrowings outstanding was 10.0%, nil and nil per annum as of December 31, 2015, December 31, 2016 and for the nine months ended September 30, 2017. The fair values of the short-term borrowings approximate their carrying amounts. The weighted average short-term borrowings for the years ended December 31, 2015, December 31, 2016 and nine months ended September 30, 2017 was RMB 11.0 million, RMB 1.1 million and RMB 26.7 million, respectively.

The short-term borrowings incurred interest expenses for the years ended December 31, 2014, 2015 and 2016, and nine months ended September 30, 2016 and September 30, 2017 amounting to RMB 25.1 million, RMB 4.3 million, RMB 0.1 million, RMB 0.1 million and nil respectively. There was neither capitalization as additions to construction in progress nor guarantee fees for the years ended December 31, 2014, 2015 and 2016 and each of the three-month periods ended June 30, 2016 and 2017.

Convertible Loans

On June 12, 2012 and October 24, 2012, the Group finalized a loan agreement amounting to RMB 125.7 million (US$ 20 million) ("Loan Agreement") with IFC, in which IFC granted the Group a convertible loan ("IFC C Loan"). IFC may at its option convert a minimum of US$ 1.0 million or its integral multiple of IFC C Loan in whole or in part, at any time prior to the fifth anniversary of the date of the first disbursement of the IFC C Loan, into Class A Ordinary Shares at the conversion price of $300 per ADS ($150 per ordinary share), subject to dilution protection adjustment and registration or an exemption from registration under the Securities Act.

The IFC C Loan was disbursed to the Group on October 22, 2012. The IFC C Loan does not have a provision allowing for pre-payment in advance of the payment schedule.

On April 29, 2013, the company signed an Amendment Agreement with IFC (the "First Amendment"), pursuant to which, the disbursed IFC C Loan will be repaid based on an agreed schedule before September 30, 2013.

On March 9, 2014, the Group executed an exclusivity agreement with China Education Investment Holding Limited ("CEIHL"), the secured creditor of the company. In return for continued forbearance under the loan facility between the company and IFC, which was transferred ultimately to the benefit of CEIHL ("the Loan Facility"), the company granted CEIHL a period of exclusivity to negotiate and implement a restructuring plan designed to, inter alia, return the company to solvency and to allow for the discharge of the JPLs by the Grand Court of the Cayman Islands. A non-binding term sheet was subsequently executed by the JPLs with CEIHL on March 30, 2014.

On May 5, 2014, the company entered into Restructuring Agreement with CEIHL, according to which, CEIHL, will provide for funding for the company approximately RMB 290.6 million (US$ 48 million) in total, comprising the amounts paid, or procured to be paid, by CEIHL or its nominee in satisfaction of and/or discharge of and/or to purchase certain onshore debt with estimated pay off value of approximately RMB 80 million; and the remaining as defined in USD Facility Loan Agreement, which was agreed by both parties in Second Amendment and Restated Loan Agreement. To the extent that the onshore debt is less than the expected pay off value, CEIHL shall lend a corresponding additional amount of funds to the Group offshore and the total amount paid under this Restructuring

Agreements thus equals US$ 48 million (and no less), in exchange for a right to convert the principal outstanding under the USD Facility Agreement (as may be increased in accordance with this clause, but not taking into account any principal that relates to capitalized interest) into an aggregate of not more than an 85% economic interest in the company, with 50.1% of the voting rights in the company.

In connection with the restructuring plan, on May 13, 2014, the Group signed Amendment and Restatement Agreement to the Loan Agreement ("the Loan Agreement") with CEIHL. The parties to the Loan Agreement have agreed to amend and restate the terms and conditions of the IFC C Loan as set out in this Agreement. Pursuant to the Loan Agreement, 1) the Registration Rights Agreement under IFC C Loan was terminated; 2) CEIHL agrees that it shall advance by way of an IFC D Loan to the Group, which was defined in the Second Amendment and Restated Loan Agreement signed by the same parties on the same day with the Loan Agreement.

Subject to the Second Amendment and Restated Loan Agreement, the IFC C Loan consisting of a principal amount of RMB 104.0 million (US$ 17.0 million); and the IFC D Loan consisting of a principal amount of approximately RMB 85.6 million (US$ 14.0 million); and the other loans consisting of a principal amount of approximately RMB 104.1 million (US$ 17.0 million). The entire amount of the Convertible Loan (consisting of an aggregate principal amount of US$ 48 million which is convertible into an aggregate of 32,426,090 Class A Ordinary Shares. Accordingly, the conversion rate is US$ 1.480 per share.

The Maturity Date of these loans is 3 years after the date of the Effective Date, which is defined as the date of the discharge of the JPLs in accordance with the Restructuring Agreement. The interest rate is 3% per annum for any interest period and applied to the both loans. Under the Second Amendment and related financing documents, and under the IFC D Loan Facility, CEIHL assigned approximately RMB 30.6 million (US$ 5 million) each of its commitments to Baring Private Equity Asia V Holding (4) limited ("Baring") and SummitView Investment Limited ("SummitView").

According to the Second Amendment, the IFC C Loan was substantially amended by decreasing the conversion rate from US$ 150 per share to US$ 1.479 per share. As a result, the fair value of the embedded conversion option (calculated as the difference between the fair value of the embedded conversion option immediately before and after the modification or exchange) was substantially changed. According to ASC Topic 470, if it is determined that the original and new debt instruments are substantially different, and the new debt instrument shall be initially recorded at fair value, and that amount shall be used to determine the debt extinguishment gain or loss to be recognized and the effective rate of the new instrument. Therefore, the amended IFC C loan was initially recorded at fair value, amounting to RMB 254.2 million (US$ 41.5 million) as of May 13, 2014. As comparing to the carrying value of original IFC C Loan consisting of a principal amount of RMB 104.0 million (US$ 17.0 million) and accrued interest payable amounting to RMB 6.9 million (US$ 1.1 million), a loss from extinguishment of debt with amounting to RMB 143.9 million (US$ 23.4 million) was recognized in 2014.

On August 31, 2014, CEIHL entered a Share Interest Assignment Agreement ("Assignment Agreement") with New Flourish Holding Limited ("New Flourish"), an entity control by CEO of the company. Pursuant to the Assignment Agreement, CEIHL agreed to sell 5,678,963 shares at a favorable consideration of US$ 5.8 million with payment schedule of 3 equal annual installments starting on August 31, 2016. The company recorded it as share-based compensation expenses in the year 2014 amounting to RMB 94.4 million.

On September 5, 2014, RMB 224.5 million (US$ 36.7 million) of the Convertible Loan was converted into ordinary shares by CEIHL and SummitView, and the total 25,182,076 converted shares were issued. At the same date, CEIHL transferred 5,678,963 shares to New Flourish according to the Assignment Agreement. After that, CEIHL became the registered holder of 16,716,954 Class A Ordinary Shares, and SummitView became the registered holder of 2,786,159 Class A Ordinary Shares, while New Flourish became the registered holder of 5,678,963 Class A Ordinary Shares. At the conversion date, the converted portion of the remaining unamortized loan discount (loan premium) was recognized as interest expense, and the loan discount (loan premium) of the unconverted portion will continue to be amortized after the conversion. Nominal interest accrued but not paid was credited to the company's equity at the time of the conversion. The interest expenses from Convertible Loan, including the amortization of BCF, amounting to RMB 98.7 million were recorded in the year ended December 31, 2014.

On March 5, 2015, CEIHL converted US$ 6.3 million of the Convertible Loan and became the registered holder of 4,457,854 Class A Ordinary Shares. On the same date, Baring converted US$ 5 million of the Convertible Loan and became the registered holder of 2,786,159 Class A Ordinary Shares. The interest expense from Convertible Loan, including the amortization of BCF, amounting to RMB 56.5 million were recorded in the year ended December 31, 2015.

There were no convertible loans as of December 31, 2015, 2016 and September 30, 2017.

Capital expenditures

Our capital expenditures were RMB 6.5 million, RMB 7.6 million, RMB 78.4 million, RMB 4.2 million and RMB 6.2 million in the fiscal years ended December 31, 2014, 2015 and 2016 and in the nine months ended September 30, 2016 and 2017, respectively. These capital expenditures were incurred primarily for investments in facilities, equipment and technology. We had made a prepayment of RMB 71.0 million (US$ 10.2 million) for an office property in 2016.

Holding company structure

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

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

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

Ambow Sihua, Ambow Shanghai, Ambow Shida, Ambow Rongye and Ambow Zhixin own and/or operate private schools, tutoring and career enhancement centers in China. At the end of each fiscal year, every private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of four of our private schools that do not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school (as determined under the generally accepted accounting principles of the PRC), if any. Pursuant to an amendment to The Law for Promoting Private Education on November 7, 2016, which will go into effect on September 1, 2017, sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC company law and other relevant laws and regulations.

Inflation

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

Recent accounting pronouncements

See Note 3 of Notes to unaudited condensed consolidated financial statements for recent accounting pronouncements that could have an effect on us.

Research and Development, Patents and Licenses

We have an in-house research and development team with 28 full-time software and educational professionals as of September 30, 2017 help to develop and update our educational content based on the latest official local government curriculum of each of our specific subjects. We integrate the best content from our acquired schools, tutoring centers and career enhancement centers into our qualified content database and then introduce it to our nationwide student user base. In 2014, 2015, 2016 and the nine months ended September 30, 2016 and 2017, we spent RMB 12.3 million, RMB 7.3 million, RMB 7.6 million, 5.7 million and RMB 4.7 million (US$ 0.7 million), respectively, on research and development expenses.

Off-balance sheet arrangements

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

On October 26, 2011, Dr. Jin Huang, chief executive officer of the company, and holder of more than 10% interest in the voting power of the company, entered into a participation agreement with, among others, The Baring Asia Private Equity Fund V., L.P. (the "Participation Agreement"). Pursuant to this agreement, Campus Holdings Limited ("Campus"), an affiliate to The Baring Asia Private Equity Fund V., L.P., agreed to invest up to US$ 50.0 million to purchase Class A Ordinary Shares of the company through a series of private transactions and on the open market through purchases of American Depositary Shares

On August 31, 2014, CEIHL and New Flourish Holdings Limited ("New Flourish"), a British Virgin Islands company, entered into a Share Interest Assignment Agreement ("Agreement"). According to the agreement, CEIHL agrees to sell 5,678,963 shares to New Flourish at a total consideration of US$ 5.8 million.

There were no new off-balance sheet arrangements as of December 31, 2016 and September 30, 2017.

Contractual Obligations

The following table presents a summary of our contractual obligations and payments, by period, as of September 30, 2017.

	Payments Due by Period				
(in millions)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	RMB	RMB	RMB	RMB	RMB

Operating lease obligations	113.9	5.3	33.1	22.1	53.4

As of December 31, 2015, 2016 and September 30, 2017, there were RMB 2.3 million, nil and nil consideration obligations related to our acquisitions, respectively.

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BUSINESS

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 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 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 that has enabled us to provide individualized content and learning solutions tailored to each of our students' needs, and to develop standards-based and individualized curricula with consistent and high-quality across our schools, tutoring centers, career enhancement centers, training offices and campus.

As of September 30, 2017, we had a total of 37 learning centers and schools, including:

- 3 directly-operated K-12 schools
- 9 tutoring centers
- 18 training offices
- 6 career enhancement centers
- 1 career enhancement campus

The following map sets forth the service coverage and the geographic coverage of our K-12 schools and tutoring centers (included under Better Schools), and our career enhancement centers, career enhancement campus and training offices (included under Better Jobs) as of September 30, 2017:

* The chart above does not include the schools/centers whose legal status will be cancelled as part of the group's effort to re-establish a solid foundation for future growth.

Revenues from continuing operations from our Better Schools division accounted for 57.4%, 61.1%, 65.7%, 63.8% and 65.6% of our total net revenues from continuing operations in the fiscal years of 2014, 2015 and 2016 and in the nine months ended September 30, 2016 and 2017, respectively. Revenues from our Better Jobs division accounted for 42.6%, 38.9%, 34.3%, 36.2% and 31.5% of our total net revenues from continuing operations in 2014, 2015 and 2016 and in the nine months ended September 30, 2016 and 2017, respectively. Revenue from our Others division accounted for 2.9% of our total revenues from continuing operations in the nine months ended September 30, 2017, which consisted of the intellectualized operational services provided by IValley Beijing. We recorded revenue from continuing operations of RMB 412.0 million, RMB 395.7 million, RMB 412.0 million, RMB 280.9 million and RMB 299.7 million (US$ 45.0 million) in 2014, 2015, 2016 and the nine months ended September 30, 2016 and 2017, respectively.

Our services and products

We offer a variety of educational and career enhancement services and products to students, recent graduates, corporate employees and management in China. Our educational services cover K-12 programs and tutoring services that provide test preparation and tutoring programs, which are offered in our tutoring centers as part of our primary educational services and product offerings to help students enroll in better schools. Our K-12 schools also help to support our tutoring programs by providing strong local brand names and reputations, local educational content expertise and potential student customers. In addition, we offer international education programs, which are designed to prepare students to study abroad while specifically addressing 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 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 products, we also provide a cloud-based learning engine to accommodate our students' individual learning habits and enrich their learning experience.

Better Schools

Our Better Schools division provides educational services covering K-12 programs and tutoring services that provide test preparation programs. We provide results-oriented services and products customized to regional curriculum requirements and individual student's needs to help students enhance their academic results, including ZhongKao and GaoKao scores, which are the primary factor in determining admission into top high school and university programs in China. We also offer international education programs that provide curricula mandated by the PRC regulatory authorities, as well as curricula with a focus on preparing students to study abroad. We have designed our international education programs to specifically address the study needs of students in terms of both language and academics.

We have three directly-operated K-12 schools located in the following locations: one in the Hunan province in central China; one in the Liaoning province in northeast China; and, one in the Jiangsu province in eastern China, all of which are accredited by the Chinese Ministry of Education. As of September 30, 2017, there were approximately 1,200 full-time teaching faculty and support staff supporting over 16,000 students.

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

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

Our strategy for our educational services is to establish a service network that provides services in populated and economically-developed cities in China. We intend to continue to improve the education quality and brands of our schools, which we leverage to support our Better Schools division.

Better Jobs

Our Better Jobs division provides career enhancement services targeting students at universities and colleges, recent graduates of these institutions and employees and management in businesses and corporations. We are the premium brand in China's educational and career enhancement services market, known for helping university level students and graduates enhance their practical skills and improve their competitive positioning. Our Better Jobs programs are mainly offered through our career enhancement service networks, which are strategically located in key economic centers across China where there is a high concentration of companies in high-growth industries.

Our Genesis Career Enhancement ("Genesis") business provides outbound and in-house management trainings for corporate clients. These corporate training programs are jointly designed with our corporate partners to specifically tailor the training for their employees. We had provided training services to approximately 5,000 corporate clients, Genesis has 14 branches located in 17 training centers across China and more than 200 professional trainers.

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

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

We currently operate one career enhancement campus, namely Kunshan Ambow Service Outsourcing Industrial Park, or Kunshan Park, which is located in the Yangtze River Delta. Students of partner universities will receive career-oriented training in Kunshan Park during their last year of study for the three-year polytechnic joint programs or four-year degree joint programs. Kunshan Park offers teaching facilities, laboratories, dormitories, grocery stores and other community infrastructure in order to accommodate students’ educational and recreational activities. These facilities are able to hold up to an aggregate of 5,000 people for training at the same time. In addition, Kunshan Park cooperates with CISCO Certified Network Associate (“CCNA”) certification system to provide convenient registration access and study materials for students of the joint programs. Built by the local government and with a layout of office park, the career enhancement campus focuses on providing training programs for information technology outsourcing and business process outsourcing.

In early 2015, we signed a strategic agreement with Synopsys, Inc., the world’s largest integrated circuit design software provider, and formed an exclusive partnership to establish the Synopsys-Ambow School. We intend to continue the partnership with Synopsys to provide a guideline for the development of China’s electronics industry while grooming talent in this field.

In the second quarter of 2016, we organized the Application-Oriented University Development and Presidents’ Forum, hosted by China’s Ministry of Education Science and Technology Development Center. This event attracted over 200 participants including university deans and presidents. Participants shared past experiences of cooperation and programs. The Forum discussed an Application-Oriented Education System and Innovative Model, which was created by Ambow. The presentations and discussions enlightened university deans and presidents and opened-up a new field for educational institutions of how to utilize existing market resources to enhance application-oriented education through curriculum design, faculty structuring, and industry cooperation.

Others

Ambow 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 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.

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.

Student recruitment and retention

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

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Our technology infrastructure

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

Educational services platform

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

Continued tracking

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

Individualized learning experience to students

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

High quality

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

Operational management platform

We have built up an operational management platform to integrate our key management and administrative functions. We are developing additional functionality within our operational management platform to allow us to track revenues and expenses across each of our schools and learning centers through sub-segments within our operating segments. This will allow us to have better period-to-period insights into the underlying drivers of our business within our distinct operating segments.

In 2016, we established an integrated service center to support the operation team by sharing resources across finance, human resources and IT departments. We also built up an Enterprise Resource Planning (ERP) system to standardize operating procedures. The establishment of the service center and the on-going integration of our Company-wide ERP system and continued enhancements to our Standard Operating Procedure and transparent Vendor Evaluation System will provide an efficient platform to maximize internal resources, lower costs and integrate Standard Operating Procedures, while unifying the Ambow brand and corporate culture. In addition, we have integrated Internet of Things (IoTs) technology into our facility modernization and development programs. This supports our intelligent classroom concept, boosts resource utilization efficiency and promotes greener energy usage.

Development and deployment platform

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

Intellectual property

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

We have been awarded by the United States Patent and Trademark Office a patent (with No. US 8838016B2) for our innovative Adaptive Computer-Assisted Learning System and Method platform for enhancing learning outcomes.

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

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

Selling and marketing

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

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

Partner schools and corporate entities

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

Deconsolidation and reconsolidation

The Group has deconsolidated Tianjin Tutoring, Guangzhou ZS Career Enhancement, Guangzhou DP Tutoring, and Jilin Tutoring effective as of September 30, 2013, December 31, 2013, December 31, 2013, and September 30, 2014, respectively. These four entities were 100% owned by the VIEs of the company and their operations have completely ceased.

By December 31, 2015, a legal team was sent to resolve the issues with the ex-owners. The company regained control over the deconsolidated subsidiaries, including Tianjin Tutoring, Guangzhou DP Tutoring, Guangzhou ZS Career Enhancement and Jilin Tutoring, in the second half of 2015. As a result, the financials of these entities have been reconsolidated into 2015 and 2016 financials. However, all the operations of these deconsolidated subsidiaries have ceased.

In the year of 2016, the management took measures to gradually restore operation of these entities, which include reinstating their business licenses. The management estimates one year or more would be needed due to procedural requirements.

Competition

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

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

- Overall customer experience;

- Scope and quality of program, service and product offerings;

- Proximity of services to the customers;

- Brand recognition and reputation of service providers; and

- Ability to effectively market programs, services and products to a broad base of prospective students.

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

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

Seasonality

Our business is subject to seasonal variations. Historically, service days consumed in our K-12 schools are lower during the first quarter due to school closures in January or February for Chinese New Year and winter break, and during the third quarter due to summer break. Our tutoring and our career enhancement segments are affected by seasonal variations in the first quarter due to Chinese New Year and winter break, although this seasonal impact is to a lesser extent than the impact on our K-12 schools.

Regulations

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

Regulations on private education

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

Education Law of the PRC

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

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

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

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

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

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

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

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

As of September 30, 2017, we had, across our four reportable segments, a total of 32 schools that are registered as private schools as opposed to companies, of which four schools are registered as schools not requiring reasonable returns, while all other schools are registered as schools requiring reasonable returns.

A. K-12 schools

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