

Ambow Education Announces Second Quarter 2020 Financial Results

BEIJING, September 15, 2020 -- Ambow Education Holding Ltd. (“Ambow” or the “Company”) (NYSE American: AMBO), a leading national provider of educational and career enhancement services in China, today announced its unaudited financial and operating results for the three-month and six-month periods ended June 30, 2020.

Dr. Jin Huang, Ambow’s President and Chief Executive Officer, said, “Since various measures that the Chinese government implemented to constrain the COVID-19 outbreak were gradually relaxed during the second quarter, the majority of our schools, tutoring centers and training offices reopened with operations gradually returning to normalcy. As such, our second quarter financial performance significantly improved on a quarter-over-quarter basis, highlighted by a 2,600 basis points increase in Gross Margin. We maintained healthy operating efficiency and profitability with a positive net income in the first half of 2020, demonstrating our capability to navigate the dynamic market during the unprecedented challenging times. Striving for increasing enrollment across all Ambow programs while also deploying stringent cost controls, we are confident in our ability to drive profitable growth and strengthen our leadership position in the career enhancement market in China.”

“Amid pandemic-related and broad-based economic challenges, we remain focused on delivering high quality educational technologies and services to address personalized learning needs in a dynamic learning environment. With the outbreak of COVID-19, the integration of technology into education was further accelerated, which has significantly boosted the demand for online-based education from both students and professionals. To enhance the learning and teaching experience in the COVID-19 environment, Ambow rolled out its next-generation online-to-offline education SaaS platform, Huanyujun Education Hub, which is equipped with our proprietary technologies including hologram live streaming, AI and IoT, all of which are built on our cloud-based infrastructure. Simultaneously drawing upon our extensive educational resources and assets spanning the globe, we believe this mobile-based platform is uniquely positioned to exploit the booming trend in the e-learning industry across a wide spectrum of educational scenarios,” concluded Dr. Huang.

Second Quarter 2020 Financial Highlights

- **Net revenues** for the second quarter of 2020 decreased by 8.7% to US\$22.0 million from US\$24.1 million in the same period of 2019. The decrease was primarily due to a reduction in the recognition of deferred revenue in the period as a result of the one-month extension of spring semester 2020 at the Company’s K-12 schools, which used to concluded at the end of June, and fewer services provided at the Company’s tutoring centers and training offices as a result of social distance and counter measures to COVID-19. This was partially offset by revenue from NewSchool of Architecture and Design, LLC (“NewSchool”), acquired in the first quarter of 2020.
- **Gross profit** for the second quarter of 2020 decreased by 14.1% to US\$8.5 million from US\$9.9 million in the same period of 2019. Gross profit margin was 38.6%, compared with 41.1% for the

second quarter of 2019. The decrease in gross profit and margin was mainly attributable to the decrease in net revenues.

- **Operating expenses** for the second quarter of 2020 slightly increased by 1.2% to US\$8.5 million from US\$8.4 million for the same period of 2019.
- **Net income attributable to ordinary shareholders** was US\$0.7 million, or US\$0.02 per basic and diluted share, compared with a net income of US\$1.3 million, or US\$0.03 per basic and diluted share, for the second quarter of 2019.
- As of June 30, 2020, Ambow maintained strong cash resources of US\$27.2 million, comprised of cash and cash equivalents of US\$13.9 million and short-term investments of US\$13.3 million.

First Six Months 2020 Financial Highlights

- **Net revenues** for the first six months of 2020 decreased by 15.9% to US\$34.8 million from US\$41.4 million in the same period of 2019. The decrease was primarily due to a reduction in the recognition of deferred revenue in the period as a result of an one-month extension of spring semester 2020 at the Company's K-12 schools, which used to conclude at the end of June, and fewer services provided at the Company's tutoring centers and training offices, as operations during the period were temporarily suspended due to the outbreak of COVID-19. This was partially offset by revenue from NewSchool, acquired in the period.
- **Gross profit** for the first six months of 2020 decreased by 34.6% to US\$10.2 million from US\$15.6 million in the same period of 2019. Gross profit margin was 29.3%, compared with 37.7% for the first six months of 2019. The decrease in gross profit and margin was mainly attributable to the decrease of net revenues.
- **Operating expenses** for the first six months of 2020 decreased by 8.7% to US\$15.7 million from US\$17.2 million for the same period of 2019. The decrease was primarily attributable to lower expenditures due to the temporary suspension of operations at schools and tutoring centers in the period as part of the national pandemic containment effort, as well as stringent expense controls to improve operating efficiency.
- **Net income attributable to ordinary shareholders** was US\$1.5 million, or US\$0.04 per basic and diluted share, compared with a net loss of US\$2.2 million, or US\$0.05 per basic and diluted share, for the first six months of 2019.

The Company's second quarter and first half 2020 financial and operating results can also be found on its Form 6-K filed with the U.S. Securities and Exchange Commission at www.sec.gov.

Exchange Rate Information

This announcement contains translations of certain RMB amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise noted, all amounts translated from RMB to U.S. dollars for the second quarter and first half of 2020 are based on the effective exchange rate of 7.0651 as of June 30, 2020; all amounts translated from RMB to U.S. dollars for the second quarter and first half of 2019 are based on the effective exchange rate of 6.8650 as of June 28, 2019; all amounts translated from RMB to U.S. dollars as of December 31, 2019 are based on the effective exchange rate of 6.9618 as of December 31, 2019. The exchange rates were according to the middle rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board.

About Ambow Education Holding Ltd.

Ambow Education Holding Ltd. is a leading national provider of educational and career enhancement services in China, offering high-quality, individualized services and products. With its extensive network of regional service hubs complemented by a dynamic proprietary learning platform and distributors, Ambow provides its services and products to students in 15 out of the 34 provinces and autonomous regions within China.

Follow us on Twitter: @Ambow_Education

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the outlook and quotations from management in this announcement, as well as Ambow’s strategic and operational plans, contain forward-looking statements. Ambow may also make written or oral forward-looking statements in its reports filed or furnished to the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statements, including but not limited to the following: the Company’s goals and strategies, expansion plans, the expected growth of the content and application delivery services market, the Company’s expectations regarding keeping and strengthening its relationships with its customers, and the general economic and business conditions in the regions where the Company provides its solutions and services. Further information regarding these and other risks is included in the Company’s filings with the U.S. Securities and Exchange Commission. All information provided in this press release is as of the date of this press release, and Ambow undertakes no duty to update such information, except as required under applicable law.

For investor and media inquiries please contact:

Ambow Education Holding Ltd.
Tel: +86-10-6206-8000

The Piacente Group | Investor Relations
Tel: +1-212-481-2050 or +86-10-6508-0677
E-mail: ambow@tpg-ir.com

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

| | As of June 30, | | As of December 31, |
|--|----------------|------------------|--------------------|
| | 2020 | | 2019 |
| | US\$ | RMB | RMB |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 13,935 | 98,455 | 157,600 |
| Restricted cash | 2,004 | 14,160 | - |
| Short term investments, available for sale | 11,160 | 78,849 | 57,487 |
| Short term investments, held to maturity | 2,123 | 15,000 | 31,000 |
| Accounts receivable, net | 2,914 | 20,589 | 17,939 |
| Amounts due from related parties | 1,030 | 7,274 | 2,318 |
| Prepaid and other current assets, net | 21,721 | 153,464 | 133,296 |
| Total current assets | 54,887 | 387,791 | 399,640 |
| Non-current assets: | | | |
| Property and equipment, net | 21,159 | 149,489 | 157,463 |
| Land use rights, net | 246 | 1,737 | 1,759 |
| Intangible assets, net | 8,515 | 60,156 | 56,607 |
| Goodwill | 8,678 | 61,313 | 60,353 |
| Deferred tax assets, net | 636 | 4,497 | 10,195 |
| Operating lease right-of-use asset | 42,476 | 300,100 | 257,361 |
| Finance lease right-of-use asset | 870 | 6,150 | 6,450 |
| Other non-current assets, net | 12,419 | 87,743 | 70,971 |
| Total non-current assets | 94,999 | 671,185 | 621,159 |
| Total assets | 149,886 | 1,058,976 | 1,020,799 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Short-term borrowings | 1,473 | 10,409 | - |
| Deferred revenue * | 16,328 | 115,358 | 165,111 |
| Accounts payable * | 1,561 | 11,047 | 14,718 |
| Accrued and other liabilities * | 27,428 | 193,780 | 192,957 |
| Income taxes payable, current * | 26,787 | 189,253 | 180,715 |
| Amounts due to related parties * | 525 | 3,706 | 1,971 |
| Operating lease liability, current * | 8,254 | 58,314 | 53,512 |
| Total current liabilities | 82,356 | 581,867 | 608,984 |
| Non-current liabilities: | | | |
| Income taxes payable, non-current * | 4,785 | 33,803 | 32,152 |
| Operating lease liability, non-current * | 36,954 | 261,087 | 216,067 |
| Total non-current liabilities | 41,739 | 294,890 | 248,219 |
| Total liabilities | 124,095 | 876,757 | 857,203 |
| EQUITY | | | |
| Preferred shares | | | |

| | | | |
|---|----------------|------------------|------------------|
| (US\$ 0.003 par value; 1,666,667 shares authorized, nil issued and outstanding as of December 31, 2019 and June 30, 2020) | - | - | - |
| Class A Ordinary shares | | | |
| (US\$0.003 par value; 66,666,667 and 66,666,667 shares authorized, 38,858,199 and 38,883,199 shares issued and outstanding as of December 31, 2019 and June 30, 2020, respectively) | 103 | 731 | 730 |
| Class C Ordinary shares | | | |
| (US\$0.003 par value; 8,333,333 and 8,333,333 shares authorized, 4,708,415 and 4,708,415 shares issued and outstanding as of December 31, 2019 and June 30, 2020, respectively) | 13 | 90 | 90 |
| Additional paid-in capital | 496,698 | 3,509,224 | 3,508,745 |
| Statutory reserve | 667 | 4,712 | 20,185 |
| Accumulated deficit | (473,608) | (3,346,090) | (3,371,815) |
| Accumulated other comprehensive income | 2,115 | 14,941 | 6,341 |
| Total Ambow Education Holding Ltd.'s equity | 25,988 | 183,608 | 164,276 |
| Non-controlling interests | (197) | (1,389) | (680) |
| Total equity | 25,791 | 182,219 | 163,596 |
| Total liabilities and equity | 149,886 | 1,058,976 | 1,020,799 |

* All of the VIE's assets can be used to settle obligations of their primary beneficiary. Liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets.

AMBOW EDUCATION HOLDING LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(All amounts in thousands, except for share and per share data)

| | For the six months ended June 30, | | | For the three months ended June 30, | | |
|---|-----------------------------------|-----------|-----------|-------------------------------------|----------|----------|
| | 2020 | 2020 | 2019 | 2020 | 2020 | 2019 |
| | US\$ | RMB | RMB | US\$ | RMB | RMB |
| NET REVENUES | | | | | | |
| Educational program and services | 34,771 | 245,659 | 282,638 | 21,994 | 155,392 | 164,453 |
| Intelligent program and services | 12 | 83 | 1,366 | 10 | 71 | 905 |
| Total net revenues | 34,783 | 245,742 | 284,004 | 22,004 | 155,463 | 165,358 |
| COST OF REVENUES | | | | | | |
| Educational program and services | (24,391) | (172,324) | (172,520) | (13,431) | (94,891) | (94,323) |
| Intelligent program and services | (206) | (1,458) | (4,709) | (23) | (160) | (2,851) |
| Total cost of revenues | (24,597) | (173,782) | (177,229) | (13,454) | (95,051) | (97,174) |
| GROSS PROFIT | 10,186 | 71,960 | 106,775 | 8,550 | 60,412 | 68,184 |
| Operating expenses: | | | | | | |
| Selling and marketing | (3,426) | (24,206) | (25,171) | (1,933) | (13,657) | (11,083) |
| General and administrative | (11,924) | (84,243) | (92,394) | (6,375) | (45,042) | (46,776) |
| Research and development | (382) | (2,698) | (468) | (222) | (1,567) | (300) |
| Total operating expenses | (15,732) | (111,147) | (118,033) | (8,530) | (60,266) | (58,159) |
| OPERATING (LOSS) INCOME | (5,546) | (39,187) | (11,258) | 20 | 146 | 10,025 |
| OTHER INCOME (EXPENSES) | | | | | | |
| Interest income | 585 | 4,135 | 1,520 | 304 | 2,145 | 1,132 |
| Foreign exchange gain, net | 5 | 35 | 1 | 1 | 9 | 32 |
| Other income (loss), net | 220 | 1,552 | 186 | 21 | 146 | (474) |
| Gain from deregistration of subsidiaries | 552 | 3,897 | 1,279 | 552 | 3,897 | - |
| Gain on the bargain purchase | 5,700 | 40,273 | - | - | - | - |
| Gain on sale of investment available for sale | 149 | 1,056 | 419 | 75 | 530 | 140 |
| Total other income | 7,211 | 50,948 | 3,405 | 953 | 6,727 | 830 |
| INCOME (LOSS) BEFORE INCOME TAX AND NON-CONTROLLING INTEREST | | | | | | |
| Income tax expense | (230) | (1,623) | (7,398) | (334) | (2,362) | (2,257) |
| NET INCOME (LOSS) | 1,435 | 10,138 | (15,251) | 639 | 4,511 | 8,598 |
| Less: Net loss attributable to non-controlling interest | (100) | (708) | (273) | (42) | (296) | (180) |

| | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| NET INCOME (LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | <u>1,535</u> | <u>10,846</u> | <u>(14,978)</u> | <u>681</u> | <u>4,807</u> | <u>8,778</u> |
| NET INCOME (LOSS) | <u>1,435</u> | <u>10,138</u> | <u>(15,251)</u> | <u>639</u> | <u>4,511</u> | <u>8,598</u> |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | | | | | |
| Foreign currency translation adjustments | 1,179 | 8,328 | (3,174) | 1,117 | 7,895 | (746) |
| Unrealized gains on short term investments | | | | | | |
| Unrealized holding gains arising during period | 133 | 940 | 700 | 71 | 499 | 420 |
| Less: reclassification adjustment for gains included in net income | <u>95</u> | <u>668</u> | <u>452</u> | <u>54</u> | <u>381</u> | <u>247</u> |
| Other comprehensive income (loss) | <u>1,217</u> | <u>8,600</u> | <u>(2,926)</u> | <u>1,134</u> | <u>8,013</u> | <u>(573)</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) | <u>2,652</u> | <u>18,738</u> | <u>(18,177)</u> | <u>1,773</u> | <u>12,524</u> | <u>8,025</u> |
| Net income (loss) per share - basic | <u>0.04</u> | <u>0.25</u> | <u>(0.34)</u> | <u>0.02</u> | <u>0.11</u> | <u>0.20</u> |
| Net income (loss) per share - diluted | <u>0.04</u> | <u>0.25</u> | <u>(0.34)</u> | <u>0.02</u> | <u>0.11</u> | <u>0.20</u> |
| Weighted average shares used in calculating basic net income (loss) per share | <u>43,577,168</u> | <u>43,577,168</u> | <u>43,469,610</u> | <u>43,583,418</u> | <u>43,583,418</u> | <u>43,503,109</u> |
| Weighted average shares used in calculating diluted net income (loss) per share | <u>43,577,168</u> | <u>43,577,168</u> | <u>43,469,610</u> | <u>43,583,418</u> | <u>43,583,418</u> | <u>43,647,645</u> |

AMBOW EDUCATION HOLDING LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(All amounts in thousands, except for share and per share data)

| | Attributable to Ambow Education Holding Ltd.'s Equity | | | | | | | | | |
|--|---|------------|-------------------------|-----------|----------------------------|--------------------|---|--|--------------------------|----------------|
| | Class A Ordinary shares | | Class C Ordinary shares | | Additional paid-in capital | Statutory reserves | Retained Earnings (Accumulated deficit) | Accumulated other comprehensive income | Non-controlling Interest | Total Equity |
| | Shares | Amount | Shares | Amount | | | | | | |
| | | RMB | | RMB | | | | | | |
| Balance as of January 1, 2020 | 38,858,199 | 730 | 4,708,415 | 90 | 3,508,745 | 20,185 | (3,372,409) | 6,341 | (680) | 163,002 |
| Share-based compensation | - | - | - | - | 238 | - | - | - | - | 238 |
| Issuance of ordinary shares for restricted stock award | 12,500 | 0 | - | - | (0) | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | - | 433 | - | 433 |
| Unrealized gain on investment, net of income taxes | - | - | - | - | - | - | - | 154 | - | 154 |
| Net income/(loss) | - | - | - | - | - | - | 6,039 | - | (412) | 5,627 |
| Balance as of March 31, 2020 | 38,870,699 | 730 | 4,708,415 | 90 | 3,508,983 | 20,185 | (3,366,370) | 6,928 | (1,092) | 169,454 |
| Share-based compensation | - | - | - | - | 242 | - | - | - | - | 242 |
| Issuance of ordinary shares for restricted stock award | 12,500 | 1 | - | - | (1) | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | - | 7,895 | - | 7,895 |
| Unrealized gain on investment, net of income taxes | - | - | - | - | - | - | - | 118 | - | 118 |
| Deregistration of subsidiaries | - | - | - | - | - | (15,473) | 15,473 | - | - | - |
| Net income/(loss) | - | - | - | - | - | - | 4,807 | - | (297) | 4,510 |
| Balance as of June 30, 2020 | 38,883,199 | 731 | 4,708,415 | 90 | 3,509,224 | 4,712 | (3,346,090) | 14,941 | (1,389) | 182,219 |
| Balance as of January 1, 2019 | 38,756,289 | 728 | 4,708,415 | 90 | 3,507,123 | 20,149 | (3,271,838) | 8,305 | (1,786) | 262,771 |
| Share-based compensation | - | - | - | - | 872 | - | - | - | - | 872 |
| Issuance of ordinary shares for restricted stock award | 28,646 | 1 | - | - | (1) | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | - | (2,428) | - | (2,428) |
| Unrealized gain on investment, net of income taxes | - | - | - | - | - | - | - | 75 | - | 75 |
| Net loss | - | - | - | - | - | - | (23,756) | - | (93) | (23,849) |
| Balance as of March 31, 2019 | 38,784,935 | 729 | 4,708,415 | 90 | 3,507,994 | 20,149 | (3,295,594) | 5,952 | (1,879) | 237,441 |
| Share-based compensation | - | - | - | - | 266 | - | - | - | - | 266 |
| Issuance of ordinary shares for restricted stock award | 19,097 | 0 | - | - | (0) | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | - | (746) | - | (746) |
| Unrealized gain on investment, net of income taxes | - | - | - | - | - | - | - | 173 | - | 173 |
| Addition of noncontrolling interests resulting from new subsidiaries | - | - | - | - | - | - | - | - | 502 | 502 |
| Net income (loss) | - | - | - | - | - | - | 8,778 | - | (180) | 8,598 |
| Balance as of June 30, 2019 | 38,804,032 | 729 | 4,708,415 | 90 | 3,508,260 | 20,149 | (3,286,816) | 5,379 | (1,557) | 246,234 |

Discussion of Segment Operations
(All amounts in thousands)

| | For the six months ended June 30, | | | For the three months ended June 30, | | |
|-------------------------|-----------------------------------|-----------|-----------|-------------------------------------|----------|----------|
| | 2020 | 2020 | 2019 | 2020 | 2020 | 2019 |
| | US\$ | RMB | RMB | US\$ | RMB | RMB |
| NET REVENUES | | | | | | |
| K-12 Schools | 17,948 | 126,800 | 150,958 | 12,086 | 85,389 | 87,165 |
| CP&CE Programs | 16,835 | 118,942 | 133,046 | 9,918 | 70,074 | 78,193 |
| Total net revenues | 34,783 | 245,742 | 284,004 | 22,004 | 155,463 | 165,358 |
| COST OF REVENUES | | | | | | |
| K-12 Schools | (10,550) | (74,542) | (90,093) | (5,820) | (41,113) | (47,797) |
| CP&CE Programs | (14,047) | (99,240) | (87,136) | (7,634) | (53,938) | (49,377) |
| Total cost of revenues | (24,597) | (173,782) | (177,229) | (13,454) | (95,051) | (97,174) |
| GROSS PROFIT | | | | | | |
| K-12 Schools | 7,398 | 52,258 | 60,865 | 6,266 | 44,276 | 39,368 |
| CP&CE Programs | 2,788 | 19,702 | 45,910 | 2,284 | 16,136 | 28,816 |
| Total gross profit | 10,186 | 71,960 | 106,775 | 8,550 | 60,412 | 68,184 |